

# TOMOTSUNE & KIMURA

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02060009

File No. 82-5139  
November 21, 2002

Office of International Corporate Finance  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
U.S.A.

SUPPL

Cybird Co., Ltd. - 12g3-2(b) Exemption

PROCESSED

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Ladies and Gentlemen:

In connection with the exemption of Cybird Co., Ltd. (the "Company") as a foreign private issuer pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, we, on behalf of the Company, hereby furnish the Securities and Exchange Commission with the following information required by Rule 12g3-2(b):

1. Results of Operation, Interim ended September 30, 2002 (Consolidated); and
2. Results of Operation, Interim ended September 30, 2002 (Non-Consolidated).

If you have any questions or requests for additional information, please do not hesitate to contact Hironori Shibata of Tomotsune & Kimura, Japanese counsel to the Company, with offices at Sanno Grand Building, 14-2, Nagatacho 2-chome, Chiyoda-ku, Tokyo 100-0014, Japan (telephone +813-3580-0800, facsimile +813-3593-3336).

Please kindly acknowledge your receipt of this letter by stamping and returning the enclosed copy in the self-addressed, stamped envelop provided for your convenience.

Very truly yours,

Hironori Shibata

Enclosure



## Results of Operation, Interim ended September 30, 2002 (Consolidated)

November 11, 2002

Cybird Co., Ltd.

Security Code: 4823, JASDAQ

URL: <http://www.cybird.co.jp/english/>

4-3-20, Torano-mon, Minato-ku, Tokyo

Contacts: Tomosada Yoshikawa

Senior Vice President

+81-3-3431-0111

Date of Approval of Earnings Results by Board of Directors:

November 11, 2002

Adoption of US GAAP:

Not Applicable

## 1. Consolidated Results of Operation, Interim Period ended September, 2002

## (1) Consolidated Results of Operation

(Unit: million yen, round down to decimal.)

|   | Net Sales<br>(%) | Operating Income<br>(%) | Ordinary Income<br>(%) |
|---|------------------|-------------------------|------------------------|
| Interim period ended September 30, 2002 | 4,288 (40.6)     | 572 (230.9)             | 570 (370.3)            |
| Interim period ended September 30, 2001 | 3,051 (314.8)    | 173 (—)                 | 121 (—)                |
| Year ended March, 2002                  | 6,944            | 509                     | 438                    |

|   | Net Income<br>(%) | Net Income per Share<br>(Yen) | Net Income per Share<br>(Fully Diluted)<br>(Yen) |
|---|-------------------|-------------------------------|--|
| Interim period ended September 30, 2002 | 660 (200.9)       | 21,093.85                     | 20,722.39  |
| Interim period ended September 30, 2001 | 219 (—)           | 7,151.92                      | —  |
| Year ended March, 2002                  | 457               | 14,920.66                     | 14,571.71  |

Note '1. Equity in Losses of Associated Companies

Interim period ended September 30, 2002

2 million yen

Interim period ended September 30, 2001

49 million yen

FY ended March 31, 2002

62 million yen

## 2. Average Number of Shares Issued

Interim period ended September 30, 2002

31,301 shares

Interim period ended September 30, 2001

30,680 shares

FY ended March 31, 2002

30,680 shares

## 3. Change of Accounting Method

Not Applicable

## 4. "%" shows increase / decrease of each items, compared with previous interim.

## (2) Financial Conditions

(Unit: million yen, round down to decimal.)

|                    | Total Assets | Shareholder's Equity | Equity Ratio<br>(%) | Shareholder's Equity per Share<br>(Yen) |
|--------------------|--------------|----------------------|---------------------|---|
| September 30, 2002 | 6,119        | 4,752                | 77.7                | 150,194.57                              |
| September 30, 2001 | 4,784        | 3,539                | 74.0                | 115,378.18                              |
| March 31, 2002     | 5,154        | 3,781                | 73.3                | 123,190.00                              |

Note Number of shares Issued as of the end of fiscal year Interim ended September 30, 2002

31,640 shares

Interim ended September 30, 2001

30,680 shares

FY ended March 31, 2002

30,698 Shares

## (3) Cash Flow Conditions

(Unit: million yen, round down to decimal.)

|   | Cash Flow from<br>Operating Activities | Cash Flow from<br>Investing<br>Activities | Cash Flow from<br>Financing Activities | Cash and Cash Equivalents,<br>end of Interim |
|---|--|---|--|--|
| Interim period ended September 30, 2002 | 505                                    | (266)                                     | 295                                    | 2,597  |
| Interim period ended September 30, 2001 | 245                                    | (326)                                     | 542                                    | 2,022  |
| Year ended March, 2002                  | 652                                    | (498)                                     | 348                                    | 2,062  |

## (4) Basis of Consolidation / Equity Method

Number of consolidated companies

2 (two)

Number of companies to which equity method is applied.

1 (one)

## (5) Change in the Scope of Consolidation

Number of consolidated companies

Added: —

Excluded: —

Number of companies, to which equity method is applied.

Added: —

Excluded: —



URL : <http://www.cybird.co.jp/english/profile/ir/index.html>

Cybird Co., Ltd.  
(Security Code: 4823, JASDAQ)  
4-3-20, Torano-mon, Minato-ku, Tokyo

Contacts: Tomosada Yoshikawa  
Senior Vice President  
81-3-3431-0111

## **Results of Operation – Second Quarter (Interim), Fiscal Year Ended March 31, 2003 (Consolidated)**

Tokyo, Japan, November 11, 2002 — CYBIRD Co., Ltd. announced a second quarter net income of 399 million yen, up 234 million yen, or 142.2%, compared with the same quarter in the last fiscal year.

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##### **Information**

Statements in the documents herein with respect to CYBIRD's plans, strategies, and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in CYBIRD's markets, which are primarily Japan, North America, Asia and Europe; demand for, and competitive pricing pressure on, CYBIRD's products and services in the marketplace; CYBIRD's ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

# **1. Business Overview**

## **1. Business Segments**

Our Consolidated Group is comprised of CYBIRD Co., Ltd., two consolidated subsidiaries (K Laboratory Co., Ltd. and DMOVE Co., Ltd.) and an affiliate (Cybird Korea Co., Ltd.), which is accounted for by the equity method. Our main business fields are (1) Mobile Content, (2) Marketing Solution Business, (3) Technology-Related Business and (4) International Business.

### **(1) Mobile Content Business**

We develop and provide pay mobile Internet content services, which are accessible via Internet enabled mobile phones (incl. PHS), for four Japanese wireless network operators' official portal sites.

### **(2) Marketing Solution Business**

We undertake, or work on, in partnership with clients, planning, consulting, development and operation of clients' mobile Internet sites. We receive planning, consulting, development and operation fees, and occasionally a share of revenue. We also sell package solution services that anticipate each client's needs, and E commerce business using the mobile phone as a portal.

### **(3) Technology-Related Business (K Laboratory Co., Ltd.)**

K Laboratory Co., Ltd., CYBIRD's subsidiary, handles research, development of client-side software platforms for mobile phones. It develops and licenses application software for Java™ and BREW™, embedded native applications, middleware, library and platform technologies.

### **(4) International Business**

Our business domains in this business are the Mobile Content, Marketing Solution and Technology-Related businesses. Considering the business environment and risks in each country, we are focusing on providing workshop, consulting, solution and content services to the mobile network operators as our main revenue source for the time being.

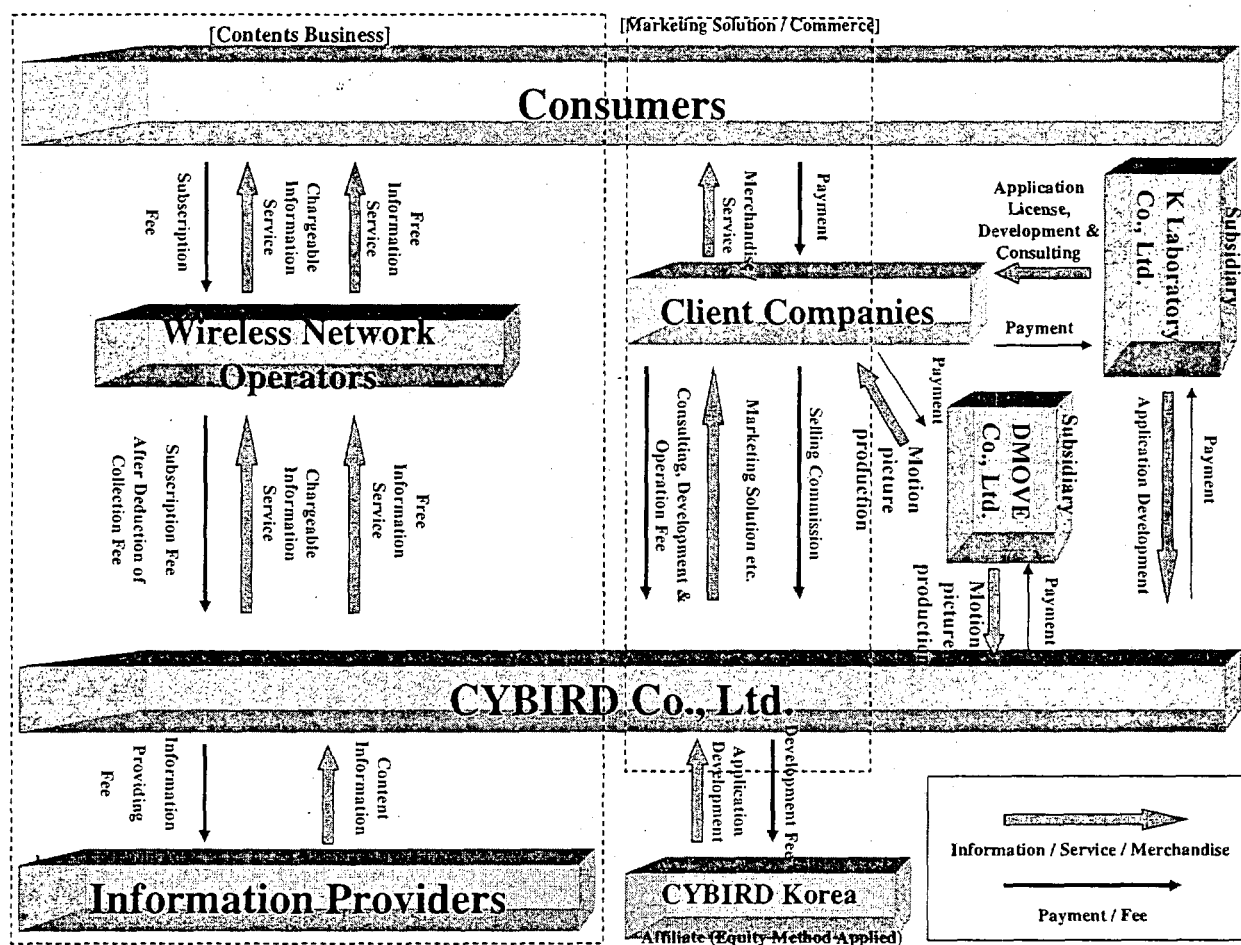
## **2. Relations with Subsidiaries and Affiliates**

K Laboratory Co., Ltd. focuses on research, development of software platform for mobile phone. We are planning to introduce K Laboratory's platform technologies to our content services. We are also planning to expand our Content Business and Marketing Solution Business by combining our server-side system development and whole service design and K Laboratory's client (handset)-side application development.

In the overseas market, Cybird Korea is making efforts to contribute to our group by developing software, thanks to its competitive labor costs, besides helping our business in Korea.

In February 2002, we established a joint venture company, DMOVE Co., Ltd., with IMAGICA Corp to make an early move in the digital content business, starting with motion picture content streaming. Both companies will work on the service development and sales, while Cybird will be responsible for operations.

# Cybird Group Business Chart



CYBIRD's Consolidated Companies (as of September 30, 2002)

| Company                | Location            | Foundation     | Principal Business     | Paid-in Capital | Shares Issued | CYBIRD's Stake |       |
|------------------------|---------------------|----------------|------------------------|-----------------|---------------|----------------|-------|
|                        |                     |                |                        |                 |               | Shares         | %     |
| K Laboratory Co., Ltd. | Minato-ku, Tokyo    | August, 2000   | Information Technology | ¥ 308 mil.      | 6,170         | 4,567          | 74.02 |
| Cybird Korea Co., Ltd. | Seoul, Korea        | August, 2000   | Information Technology | 1,200 mil. Won  | 240,000       | 70,000         | 29.17 |
| DMOVE Co. Ltd.         | Shinagawa-ku, Tokyo | February, 2002 | Information Technology | ¥ 20 mil.       | 400           | 210            | 52.50 |

## **2. Business Policies**

### **1. Business Principles / Missions**

We will pursue maximization of shareholders' income. And we commit ourselves to "the creation of new values in society by serving through mobile Internet". Our mission is to contribute, as the "Best Partner for the Mobile Internet", to making people's lives fuller and more convenient.

Our business is driven by the four key policies shown below.

- (1) Selectivity and Focus on Strategic Business Fields
- (2) Adaptation to Changes
- (3) Emphasis on Profitability, Sustainability and Expandability
- (4) Synergy Effects with Subsidiaries and Affiliates

### **2. Dividend Policy**

Returning incomes to our shareholders is our top priority, and dividends are to be determined after consideration of business performance, investment outlook, equity ratio, cash flow, and other factors.

Since we have not yet cleared our accumulated deficit, we have not paid any cash dividends. We do not intend to pay any cash dividends in the foreseeable future, giving priority to funding business expansion.

### **3. Stock Unit Adjustment Policy**

In deciding whether to do a Stock Split, we are considering stock prices, supply and demand condition etc.

### **4. Midterm Business Policy**

#### **(1) Mobile Content Business Policy**

We will continue to launch new content services or to upgrade the existing content services, which enable us to be profitable, by adapting ourselves to the fast-moving business environment, such as the slow-down of mobile phone shipments and the evolution of the mobile phone platform, based on careful risk-return analysis.

#### **(2) Marketing Solution / e-Commerce Business Policy**

We will expand our dominant field by providing a marketing solution service to enterprises that makes use of the features of the mobile Internet. Besides solutions that consist of consulting, planning, developing and operation, we also emphasize the sales of package solutions, or e-commerce business which links with other media.

#### **(3) Technical Policy**

Our research and development is carried out at our Strategic Technology Planning Department, Technology Department and K Laboratory Co., Ltd., the subsidiary.

The Strategic Technology Planning Department researches technologies that are to be introduced, including such basic technologies as Bluetooth™ and such network technologies as IPv6, and works together with K Laboratory on architectures and platforms such as BREW™.

K Laboratory focuses on research, development and licensing of software platforms that are customized for mobile phones. Utilizing its accumulated knowledge in domestic market, K Laboratory Co., Ltd. will stay ahead of competitors in the overseas market by forming alliances with major manufacturers, wireless network operators and software houses abroad.

#### **(4) International Business Policy**

International Business Department ensures the correct timing for market entrance. We are making the best use of our domestic experience and knowledge in the overseas market.

With consideration of each market's unique situation, we will expand the revenue through providing workshop, consultation, solution and content services toward wireless network operators in the prospective overseas markets.

We will reinforce the software development function of Cybird Korea Co., Ltd., by making the best use of its cost competitiveness in software development. We expect that Cybird Korea will contribute to our competitiveness in the domestic software development market.

## 5. Business Administration Measures

### (1) Governance System

To encourage proper business administration, the "Internal Auditing Department" gives advice to the Board by auditing and studying the propriety and efficiency of the execution of each business unit.

### (2) Human Resource Management

#### ① Personnel Evaluation

We restructured our organization based on changes announced in April 2002. We have embodied our human resource strategy, which links to business strategy and plan, by defining necessary human resources and establishing a human resource vision. We introduced a variable bonus system, which reflects employees' results, and replaced our "Half Year Salary Contract System" with a one-year assessment system to motivate personnel who are expected to contribute to long-term growth.

#### ② Career Employment / System

Along with a revision of our HR evaluation system, we set up a HR management system that offers individual employees various career paths and opportunities.

We hire highly qualified personnel who are not only to contribute to the company immediately, but also to guarantee mid and long-term business growth. We will continue to hire such personnel to reinforce our organization.

#### ③ Stock Options, Stock Owners Plan

We introduced a Stock Option Plan and a Stock Owners Plan to motivate directors and employees. We have granted three rounds of stock options.

### (3) Financial Strategy

We place great stress on consolidated income and cash flow. Our financial strategy is focused on the maximization of shareholders' value. Looking at details, our midterm target is a stable ROE of 20%, after paying back the deficit, on a consolidated basis. To achieve that goal, we will optimize the distribution of resources to high-income businesses and projects, optimize our business portfolio, and reexamine costs and expenses.

### (4) Investor Relations / Public Relations Strategy

We formed the "IR Committee", which consist of personnel from related departments under CEO's control to speed up information sharing and decision-making. We also maintain IR pages on our web site and are speeding up and enriching the disclosure of material information by monthly and quarterly release through JASDAQ. Fair Disclosure is one of the top priorities of our IR activities.

In our public relations and publicity activities, we increase the publicity of our contents / services and our name recognition, participate in promotion events in collaboration with wireless network operators and various media and lecture meetings, and place advertisements in IT magazines, to optimize the media mixture and to maintain a high frequency of exposure.

### (5) Crisis Management Committee

In April, 2002, we established a "Crisis Management Committee". Guided by this committee, we are determining the risks that we face, taking counter actions, and carrying out in-house education. The CEO heads the committee, which will take preventative actions against foreseen risks and minimize damage from unexpected events by taking prompt counter actions.

### (6) Others

We are voluntarily implementing environmental preservation measures. We use recycled paper for business cards and recycle waste paper. This quarter, our achievement in reduction of emission CO2 was 469.82kg, or equivalent to saving 13 trees. We also shortened the operating time of the office air conditioners to reduce electricity costs. During the quarter, we cut our use of air conditioners by 492 hours and saved 1.1 million yen / month, compared to the same quarter last year.

## 6. Major Issues

Having grown rapidly in the emerging mobile Internet industry, we are stressing the following major issues to achieve further growth.

- (1) Selectivity and Focus on Business Portfolio through analysis, evaluation and reexamination
  - Selection and Reinforcement of the service portfolio, including M & A
  - Development of high-income content services by utilizing marketing data
  - Reinforcement of sales force to sell customer need-oriented services, such as 'Sugu Mail™'
  - Development of application software that is not industry specific
- (2) Reinforcement of administration and human resource system to run a strategic organization
  - Implementation of new HR assessment system and career system
  - Strategic recruitment and posting of personnel
- (3) Internal control system to analyze the business and make decisions based on financial indicators
- (4) Investment in R&D and new business for future growth
  - Technology-related (K Laboratory Co., Ltd.) and international businesses to improve their profitability
- (5) Reinforcement of control over a subsidiary and an affiliate
  - Competitive operation by maximizing synergy-effect with K Laboratory Co., Ltd.
- (6) Reinforcement of risk management
- (7) Reinforcement of governance system

## 7. Key Business Indicator (ROE and EVA®)

We will stress ROE, as a key business indicator. Our midterm target is a stable ROE of 20%, after paying back the deficit, on a consolidated basis. Furthermore, we consider the long-term growth of the Economic Value Added (EVA®) as an important business indicator. We assume that our use of these indicators will eventually contribute to the interests of shareholders.



### 3. Financial Condition and Results of Operations

#### 1. Business Review

##### Summary

##### < Interim Results >

|                                      | Sales<br>(mil. yen) | Ordinary<br>Income<br>(mil. yen) | Net Income<br>(mil. yen) | Earnings per<br>Share<br>(yen) | ROE<br>(adjusted<br>annual) | EBITDA<br>(mil. yen) |
|--------------------------------------|---------------------|----------------------------------|--------------------------|--------------------------------|-----------------------------|----------------------|
| 1st Half,<br>FY ended March 31, 2003 | 4,288               | 570                              | 660                      | 21,093                         | 30.9%                       | 759                  |
| 1st Half,<br>FY ended March 31, 2002 | 3,051               | 121                              | 219                      | 7,151                          | 12.8%                       | 343                  |
| Change                               | 1,237<br>(40.6%)    | 449<br>(370.3%)                  | 440<br>(200.9%)          | 13,942<br>(195.0%)             | 18.1 points                 | 416<br>(121.3%)      |

##### < Quarterly Results >

|   | Sales<br>(mil. yen) | Ordinary<br>Income<br>(mil. yen) | Net Income<br>(mil. yen) | Earnings per<br>Share<br>(yen) | ROE<br>(adjusted<br>annual) | EBITDA<br>(mil. yen) |
|---|---------------------|----------------------------------|--------------------------|--------------------------------|-----------------------------|----------------------|
| 2nd Quarter,<br>FY ended March 31, 2003 | 2,239               | 327                              | 399                      | 12,630                         | 35.2%                       | 426                  |
| 2nd Quarter,<br>FY ended March 31, 2002 | 1,639               | 109                              | 164                      | 5,373                          | 18.9%                       | 248                  |
| Change                                  | 600<br>(36.6%)      | 218<br>(199.3%)                  | 234<br>(142.2%)          | 7,257<br>(135.1%)              | 16.3 points                 | 178<br>(71.7%)       |

#### Business Environment of Mobile Internet Market

##### <Domestic Market>

##### Number of Domestic Mobile Phone Subscription (Survey by the Telecommunications Carriers Association)

|                    | Mobile Phone &<br>PHS Users' Account | (PHS Users Only) | Population Penetration Ratio<br>(In-house Calculation) |
|--------------------|--------------------------------------|------------------|--|
| September 30, 2002 | 77.71 million                        | (5.63 million)   | 61.0%  |
| September 30, 2001 | 71.05 million                        | (5.69 million)   | 55.8%  |

##### Number of Internet-Enabled Mobile Phone Subscription (Survey by the Telecommunications Carriers Association)

|                    | Mobile Phone &<br>PHS Users' Account | (PHS Users Only) | Wireless Internet Penetration<br>Ratio (exl. PHS) |
|--------------------|--------------------------------------|------------------|---|
| September 30, 2002 | 59.47 million                        | (2.36 million)   | 79.2%   |
| September 30, 2001 | 47.35 million                        | (2.42 million)   | 68.7%   |

Nomura Securities estimated, in August 2002, that the number of domestic mobile phone users will reach 90 million people in March 2006, and the ratio of Internet accessing users will reach 89% out of all mobile phone users.

##### <Overseas Market>

The number of mobile phone users amounted to 955 million people at the end of 2001, and is forecast to reach 1,591 million people by the end of 2005, according to Nomura Securities' survey in August 2002.

##### <New Platform>

According to NTT DoCoMo, as of October 13, 2002, the number of Java™ -enabled mobile phones sold by the company rose to 15.01 million, accounting for 42.9% of 34.99 million i-mode handsets. J-PHONE and KDDI's Java™ -enabled handsets are also becoming standards. Furthermore, KDDI launched, in April 2002, a mobile phone which is designed for BREW™, QUALCOMM Inc.'s advanced wireless platform for developing applications that support wireless devices. The accessible area of NTT DoCoMo's third generation mobile phone FOMA, which was launched in October 2001, is gradually expanding.

# Business Review by Business Segment

## <Content Business>

### <Interim Results>

|                                      | Sales<br>(mil. yen) | % against<br>Consolidated Sales<br>(%, points) | No. of<br>Services | No. of New<br>Services | No. of<br>Services<br>Abolished | No. of Subscribers<br>(thousand people) |
|--------------------------------------|---------------------|--|--------------------|------------------------|---------------------------------|---|
| 1st Half,<br>FY ended March 31, 2003 | 3,544               | 82.7%  | 77                 | 4                      | 0                               | 3,479<br>(before adjustment)            |
| 1st Half,<br>FY ended March 31, 2002 | 2,679               | 87.8%  | 63                 | 6                      | 7                               | 2,913                                   |
| Change                               | 865<br>(32.3%)      | - 5.1 points                                   | 14                 | - 2                    | - 7                             | 565<br>(19.4%)                          |

### <Quarterly Results>

|   | Sales<br>(mil. yen) | % against<br>Consolidated Sales<br>(%, points) | No. of<br>Services | No. of New<br>Services | No. of<br>Services<br>Abolished | No. of Subscribers<br>(thousand people) |
|---|---------------------|--|--------------------|------------------------|---------------------------------|---|
| 2nd Quarter,<br>FY ended March 31, 2003 | 1,828               | 81.7%  | 77                 | 1                      | 0                               | 3,479<br>(before adjustment)            |
| 2nd Quarter,<br>FY ended March 31, 2002 | 1,438               | 87.8%  | 63                 | 6                      | 4                               | 2,913                                   |
| Change                                  | 389<br>(27.1%)      | - 6.1 points                                   | 14                 | - 5                    | - 4                             | 565<br>(19.4%)                          |

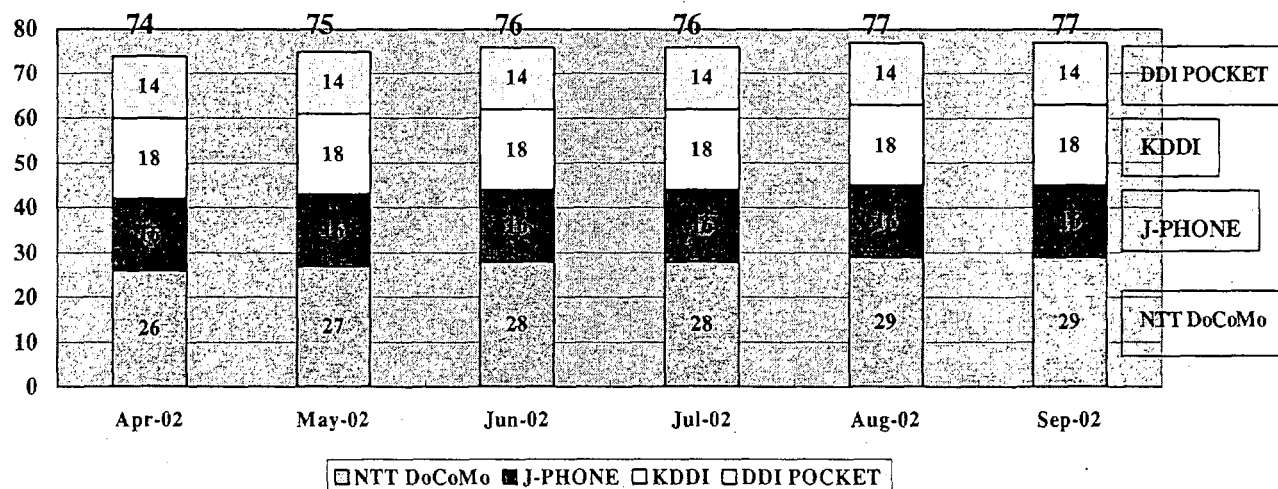
### <Number of services with new features>

| Java™-Enabled Content Services |                  |                                      | Motion Picture Services  |                   |
|--------------------------------|------------------|--------------------------------------|--------------------------|-------------------|
| i α ppli<br>(NTT DoCoMo)       | ezplus<br>(KDDI) | J-Phone Java™<br>Applet<br>(J-Phone) | i-motion<br>(NTT DoCoMo) | ezmovie<br>(KDDI) |
| 15                             | 5                | 1                                    | 1                        | 2                 |

\* These figures show the number of content services that CYBIRD itself provides as an "Information Provider".  
(Please refer to "CYBIRD's IP Content List", attached at the end of this document.)

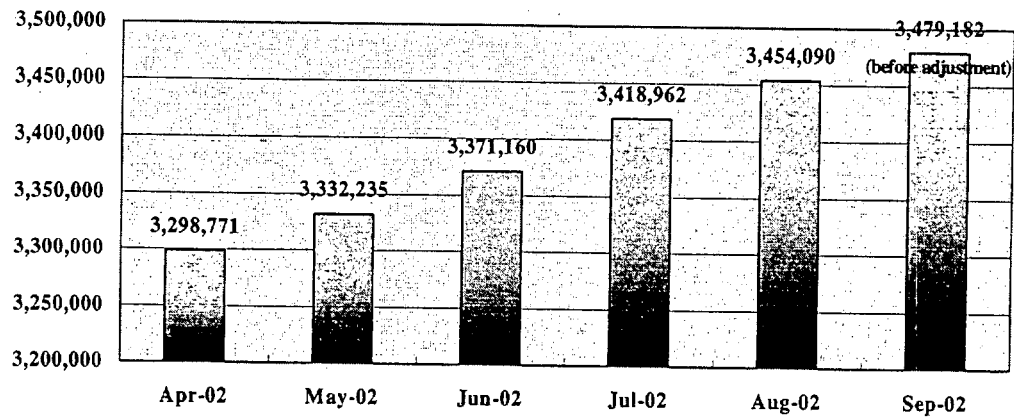
During the quarter under review, we concentrated on launching the new services for Java™ Polygon Engine compatible handsets, and on developing applications for new handsets with embedded cameras. We are planning to launch one to two content services a month in the FY ended March 31, 2003.

### <Number of Domestic Content Services>



### <Number of Content Service Subscribers (CYBIRD IP Content Services Only)>

Unit person

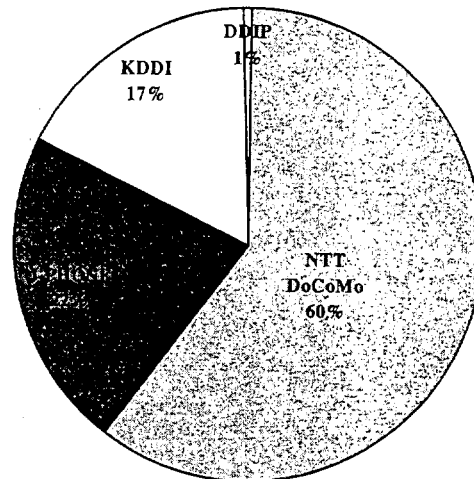
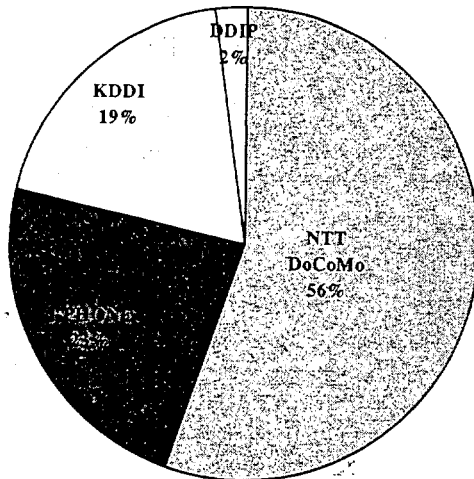


<Sales Composition by Operators>

<Interim>

1<sup>st</sup> Half, FY March, 2002

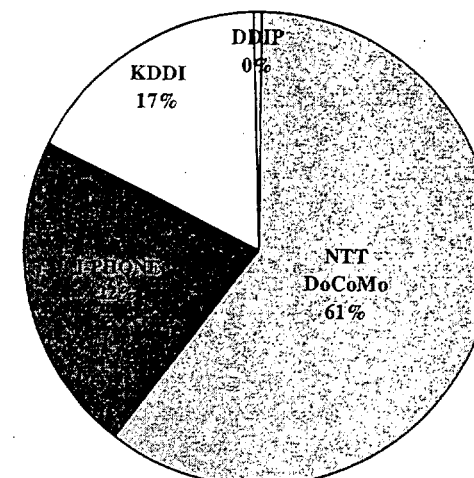
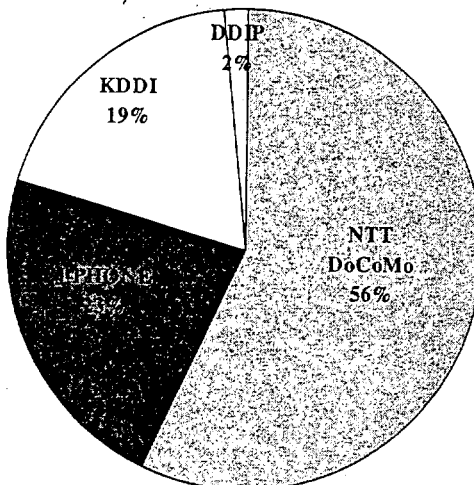
1<sup>st</sup> Half, FY March, 2003



<Quarter>

2Q, FY March, 2002

2Q, FY March, 2003



<Marketing Solution Business>

**<Interim Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>1<sup>st</sup> Half,<br/>FY ended March 31, 2003</b> | <b>578</b>          | <b>13.5%</b>                            |
| 1 <sup>st</sup> Half,<br>FY ended March 31, 2002        | 297                 | 9.7%                                    |
| Change  | 281<br>(94.5%)      | 3.8 points                              |

**<Quarterly Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>2nd Quarter,<br/>FY ended March 31, 2003</b> | <b>316</b>          | <b>14.2%</b>                            |
| 2nd Quarter,<br>FY ended March 31, 2002         | 159                 | 9.8%                                    |
| Change  | 157<br>(98.3%)      | 4.4 points                              |

For the quarter under review, the main projects of the Marketing Solution Division were as follows.

- Providing 'Sugu Mail™' services for Kirin Brewery Company, Limited, TSUTAYA Online Corporation, and other companies
- Providing ASP service for mobile campaigns for a new movie promotion of Toho Co., Ltd., a shop promotion of REINS INTERNATIONAL, and other companies
- Planning, development and operation for "Mobile Commerce Site". Providing that service towards a pop music star Tomoyasu Hotei.

**<Technology Related Business (K Laboratory)>****<Interim Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>1<sup>st</sup> Half,<br/>FY ended March 31, 2003</b> | <b>154</b>          | <b>3.6%</b>                             |
| 1 <sup>st</sup> Half,<br>FY ended March 31, 2002        | 69                  | 2.3%                                    |
| Change  | 84<br>(121.3%)      | 1.3 points                              |

**<Quarterly Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>2nd Quarter,<br/>FY ended March 31, 2003</b> | <b>86</b>           | <b>3.8%</b>                             |
| 2nd Quarter,<br>FY ended March 31, 2002         | 36                  | 2.2%                                    |
| Change  | 50<br>(138.9%)      | 1.6 points                              |

Its major projects during the quarter under review were as follows.

**<Java™ Application>**

- Planning, development and operation of browser application "Appli Sport Nippon Sokuhou Appli" for Mainichi Newspaper.
- Development of i area-compatible "Tabisaki Mail" for "Hello Kitty Mail" (©Sanrio Co., Ltd.), an official i-mode service, in collaboration with Imagineer Co., Ltd.
- Development of the third "Special Clock" for "Appli Machiuke Tokeiya-san", an official i-mode service, of CYBIRD.
- Development of new games for "EZ Mini Game Tengoku" and "Kensho Puzzler", KDDI's official services, of CYBIRD

**< BREW™ Applications>**

- Released "SWF Player for Mobile Phone", mounted in the BREW™ compatible handset supplied by QUALCOMM Inc, at the QUALCOMM's exhibition booth during "Wireless Japan" in July.

**<Platform Business>**

- Displayed "SWF Player for Mobile Phone", mounted in Hitachi's "SH-Mobile" at K Laboratory's booth during "Wireless Japan" In July.

**<International Business>****<Interim Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>1<sup>st</sup> Half,<br/>FY ended March 31, 2003</b> | <b>11</b>           | <b>0.2%</b>                             |
| 1 <sup>st</sup> Half,<br>FY ended March 31, 2002        | 4                   | 0.2%                                    |
| Change  | 6<br>(146.0%)       | 0.0 points                              |

**<Quarterly Results>**

|   | Sales<br>(mil. yen) | % of Consolidated<br>Sales (% , points) |
|---|---------------------|---|
| <b>2nd Quarter,<br/>FY ended March 31, 2003</b> | <b>7</b>            | <b>0.3%</b>                             |
| 2nd Quarter,<br>FY ended March 31, 2002         | 4                   | 0.2%                                    |
| Change  | 3<br>(75.8%)        | 0.1 points                              |

Major projects for the quarter were as follows.

- Launched Branded SIM Project in Hong Kong as a new customer acquisition support and solution business in the Asian market.
- Started providing i-mode content service in Taiwan.

## Consolidated Statements of Income

### <Sales>

For the first half, consolidated sales were 4,288 million yen, up 1,237 million yen, or 40.6%, from the first half of the last fiscal year.

Second quarter consolidated sales amounted to 2,239 million yen, up 191 million yen, or 9.3%, from the previous quarter. The major reasons for the sales increase were the good performance of the Marketing Solution business and the steady growth of the Mobile Content business.

### <Cost of Sales>

For the first half, cost of sales totaled 2,051 million yen, up 545 million yen, or 36.2%, from the first half of the last fiscal year. Thanks to efforts to control fixed cost, such as manpower cost and rent, we improved the gross profit margin from 50.6% to 52.2%.

For the second quarter, although variable costs, such as information providing and contracting fees, increased, the gross profit margin increased to 53.0% from 51.3% in the previous quarter.

### <Selling and General Administrative Expenses>

For the first half, SG&A was 1,664 million yen, up 292 million yen, or 21.3%, from the first half of the last fiscal year.

SG&A in the second quarter was 857 million yen, an increase of 50 million yen, or 6.3%, from the previous quarter.

The breakdown of main selling and general administrative expenses was as follows.

#### <Interim>

| Item  | Interim Period<br>ended September 30, 2002 | Interim Period<br>ended September 30, 2001 | Change      |        |
|---|--|--|-------------|--------|
|   | Million yen                                | Million yen                                | Million yen | %      |
| Personnel Expenses                            | 500  | 345  | 155         | 45.0   |
| Advertisement &<br>General Publicity Expenses | 153  | 182  | (29)        | (16.2) |
| Research &<br>Development Expenses            | 201  | 255  | (53)        | (21.1) |
| Charge & Commission                           | 504  | 369  | 134         | 36.5   |
| Others  | 304  | 219  | 85          | 39.0   |
| Total   | 1,664                                      | 1,372                                      | 292         | 21.3   |

#### <Quarter>

| Item  | The second quarter From July 1<br>To September 30, 2002 | The first quarter From April 1<br>To June 30, 2002 | Change      |       |
|---|---|--|-------------|-------|
|   | Million yen   | Million yen  | Million yen | %     |
| Personnel Expenses                            | 262   | 238  | 23          | 10.1  |
| Advertisement &<br>General Publicity Expenses | 81  | 71   | 9           | 13.7  |
| Research &<br>Development Expenses            | 109   | 91   | 18          | 19.9  |
| Charge & Commission                           | 249   | 254  | (4)         | (1.8) |
| Others  | 153   | 150  | 2           | 1.9   |
| Total   | 857   | 806  | 50          | 6.3   |

The driving factors for the changes in SG&A, compared with the previous quarter, were as follows.

- Increase of personnel in pace with business growth. The number of employees on consolidated basis, as of September 30, 2002, was 237 people.
- Increase of Advertisement & General Publicity Expenses, mainly due to the cost for the "Fuji Rock Festival".
- Increase of collection-commission to wireless network operators, in pace with the growth of the content business. The payment for the second quarter amounted to 183 million yen, which is included in Charge & Commission.

#### <Operating Income>

For the first half, operating income was 572 million yen, up 399 million yen, or 230.9%, from the first half of the last fiscal year.

Operating income in the second quarter, operating income amounted to 329 million yen, an increase of 85 million yen, or 34.9%, from the previous quarter. Due to the control of SG&A, operating profit margin increased to 14.7% from 11.9% in the previous quarter.

#### <Net Income>

Operating profit margin boosted first half net income to 660 million yen, up from 219 million yen a year earlier. Notable items in the Interim Period were 2 million yen of equity in net loss of affiliated companies (Cybird Korea Co., Ltd.) compared with 49 million yen appropriated in the first half of the last year, and the revaluation of all content services to focus our investment in profitable services, resulting in a 22 million yen loss from revaluation of software. Furthermore, due to the recovery of accumulated loss in tax accounting, we posted 201 million yen as corporate, resident and business tax. On the other hand, tax effect was recognized and 287 million yen was adjusted as a drawback of corporate tax payment.

Second quarter net income amounted to 399 million yen, an increase of 138 million yen, or 52.9%, from 261 million yen in the previous quarter. Other factors contributing to the change were 0 million yen of equity in net loss of affiliated companies (Cybird Korea Co., Ltd.).

#### <Earnings per Share (EPS)>

For the first half, earnings (net income) per share (EPS) was 21,093 yen, up from 7,151 yen in the first half of the last fiscal year.

EPS in the second quarter amounted to 12,630 yen, a 4,205 yen increase from 8,425 yen in the previous quarter.

#### <EBITDA (Earnings before Interest, Tax, Depreciation and Amortization)>

For the first half, EBITDA was 759 million yen, an increase of 416 million yen from 343 million yen in the first half of the last fiscal year.

Second quarter EBITDA totaled 426 million yen, an increase of 92million yen from 333 million yen in the previous quarter. Our EBITDA is calculated by the formula shown below.

(Formula)  $EBITDA = \text{Operating Income} + \text{Depreciation Cost (Tangible Assets \& Intangible Assets)}$

#### <ROE (Return on Equity)>

Second quarter adjusted annual ROE was 35.2%, an increase of 9.5 points from 25.7% in the previous quarter. Adjusted annual Return on Raised Capital was 30.8%, an increase of 10.0 points from 20.8% in the previous quarter. After verifying the possibility of the collection of deferred tax assets, the company began recording the tax effects of temporary differences between tax and financial reporting. The second quarter ROE reflects these effects. Our adjusted annual ROE is calculated by the formula shown below.

(Formula)

$$ROE = \frac{\text{Net Income (Quarter)}}{(\text{Shareholders' Equity (Beginning of Quarter)} + \text{Shareholders' Equity (End of Quarter)}) \div 2} \times 100 \times 4$$

### **Consolidated Balance Sheets**

Total assets at September 30, 2002 were 6,119 million yen, up 1,335 million yen or 27.9%, from the first half of the last fiscal year, and up 727 million yen, 13.5%, from the previous quarter. Total liabilities at September 30, 2002 amounted to 1,341 million yen, an increase of 125 million yen, 10.3%, from the first half of the last fiscal year, and an increase of 302 million yen, or 29.2%, from the previous quarter. Total shareholders' equity at September 30, 2002 was 4,752 million yen, up 1,212 million yen, or 34.3%, from the first half of the last fiscal year, and up 419 million yen, or 9.7%, from the previous quarter.

Major factors contributing to second quarter changes were as follows.

- 104 million yen increase in the short-term borrowing of the subsidiary.
- 399 million yen decrease in deficit due to the net profit.
- 10 million yen increases in both Common stock and additional paid-in capital due to the exercise of stock options during the quarter.

### **Consolidated Cash Flow Statements**

Total cash and cash equivalents at quarter-end were 2,597 million yen, up 574 million yen, or 28.4%, from the first half of the last fiscal year, and up 197 million yen, 8.2%, from the previous quarter.

For the second quarter, major changes were as follows.

- Payment of consumption tax
- 50 million yen expense for the acquisition of the investment securities
- Decrease in software expenses
- Bank borrowing by the subsidiary
- 20 million yen in proceeds from the exercise of stock options

## **2. Outlook**

We avoid providing earnings forecasts because of the difficulty of making rational forecasts in our fast moving and volatile business field. However, we will make every effort to secure reasonable income and maximize our corporate worth. And we do disclose earnings-related issues and drivers on a monthly, quarterly, and timely basis.



#### 4. Consolidated Financial Statements (Interim)

(1) Consolidated Balance Sheets

The Interim Period of FY March 2003, the Interim Period of FY March 2002 and the FY March 2002

|   | September 30, 2002 |              | September 30, 2001 |              | March 31, 2002 |              |
|---|--------------------|--------------|--------------------|--------------|----------------|--------------|
|   | Million yen        | %            | Million yen        | %            | Million yen    | %            |
| <b>Assets</b>                             |                    |              |                    |              |                |              |
| <b>I Current Assets :</b>                 |                    |              |                    |              |                |              |
| Cash and cash equivalents                 | 2,597              |              | 2,022              |              | 2,062          |              |
| Trade accounts receivables                | 2,117              |              | 1,566              |              | 2,015          |              |
| Inventories                               | 36                 |              | 24                 |              | 40             |              |
| Others                                    | 258                |              | 116                |              | 98             |              |
| Allowance for doubtful accounts           | (31)               |              | (55)               |              | (36)           |              |
| <b>Total current assets</b>               | <b>4, 977</b>      | <b>81.3</b>  | <b>3,674</b>       | <b>76.8</b>  | <b>4,180</b>   | <b>81.1</b>  |
| <b>II Fixed Assets :</b>                  |                    |              |                    |              |                |              |
| (Tangible fixed assets)                   | 121                | 2.0          | 135                | 2.9          | 134            | 2.6          |
| (Intangible fixed assets)                 |                    |              |                    |              |                |              |
| Software                                  | 474                |              | 596                |              | 481            |              |
| Other intangible assets                   | 28                 |              | 27                 |              | 41             |              |
| <b>Total intangible fixed assets</b>      | <b>502</b>         | <b>8.2</b>   | <b>623</b>         | <b>13.0</b>  | <b>522</b>     | <b>10.1</b>  |
| (Investments and other assets)            |                    |              |                    |              |                |              |
| Lease deposit                             | 255                |              | 255                |              | 254            |              |
| Other assets                              | 261                |              | 94                 |              | 62             |              |
| <b>Total investments and other assets</b> | <b>516</b>         | <b>8.5</b>   | <b>349</b>         | <b>7.3</b>   | <b>316</b>     | <b>6.2</b>   |
| <b>Total fixed assets</b>                 | <b>1,141</b>       | <b>18.7</b>  | <b>1,109</b>       | <b>23.2</b>  | <b>974</b>     | <b>18.9</b>  |
| <b>Total</b>                              | <b>6,119</b>       | <b>100.0</b> | <b>4,784</b>       | <b>100.0</b> | <b>5,154</b>   | <b>100.0</b> |

|  | September 30, 2002 |              | September 30, 2001 |              | March 31, 2002 |              |
|--|--------------------|--------------|--------------------|--------------|----------------|--------------|
|  | Million yen        | %            | Million yen        | %            | Million yen    | %            |
| <b>Liabilities and shareholders' equity</b>      |                    |              |                    |              |                |              |
| <b>I Current liabilities :</b>                   |                    |              |                    |              |                |              |
| Trade accounts payable                           | 390                |              | 265                |              | 330            |              |
| Short term bank debts                            | 287                |              | 500                |              | 300            |              |
| Bonus payment reserve                            | 67                 |              | 31                 |              | 42             |              |
| Accounts payable                                 | 578                |              | 351                |              | 604            |              |
| Other current liabilities                        | 18                 |              | 24                 |              | 46             |              |
| <b>Total current liabilities</b>                 | <b>1,341</b>       | <b>21.9</b>  | <b>1,172</b>       | <b>24.5</b>  | <b>1,323</b>   | <b>25.7</b>  |
| <b>II Fixed liabilities :</b>                    |                    |              |                    |              |                |              |
| <b>Total fixed liabilities</b>                   | <b>—</b>           | <b>—</b>     | <b>43</b>          | <b>0.9</b>   | <b>20</b>      | <b>0.4</b>   |
| <b>Total liabilities</b>                         | <b>1,341</b>       | <b>21.9</b>  | <b>1,216</b>       | <b>25.4</b>  | <b>1,343</b>   | <b>26.1</b>  |
| <b>III Minority Interest :</b>                   | <b>25</b>          | <b>0.4</b>   | <b>27</b>          | <b>0.6</b>   | <b>29</b>      | <b>0.6</b>   |
| <b>IV Shareholders' equity :</b>                 |                    |              |                    |              |                |              |
| Common stock                                     | 2,565              | 41.9         | 2,405              | 50.3         | 2,408          | 46.7         |
| Additional paid in capital                       | 2,622              | 42.9         | 2,462              | 51.5         | 2,465          | 47.8         |
| Deficit  | 434                | (7.1)        | 1,333              | (27.9)       | 1,095          | (21.2)       |
| Foreign exchange transaction adjustment          | (0)                | (0.0)        | (2)                | (0.0)        | (0)            | (0.0)        |
| Unrealized gain on available-for-sale securities | —                  | —            | 7                  | 0.1          | 3              | 0.0          |
| <b>Total Capital</b>                             | <b>4,752</b>       | <b>77.7</b>  | <b>3,539</b>       | <b>74.0</b>  | <b>3,781</b>   | <b>73.3</b>  |
| <b>Total</b>                                     | <b>6,119</b>       | <b>100.0</b> | <b>4,784</b>       | <b>100.0</b> | <b>5,154</b>   | <b>100.0</b> |

## (2) Consolidated Statements of Income (Operations)

The Interim Period of FY March 2003, the Interim Period of FY March 2002 and the FY March 2002

|  | Interim Period ended<br>September 30, 2002 |       | Interim Period ended<br>September 30, 2001 |       | Fiscal year ended<br>March 31, 2002 |       |
|--|--|-------|--|-------|-------------------------------------|-------|
|  | Million yen                                | %     | Million yen                                | %     | Million yen                         | %     |
| Net sales  | 4,288                                      | 100.0 | 3,051                                      | 100.0 | 6,944                               | 100.0 |
| Cost of sales                                    | 2,051                                      | 47.8  | 1,506                                      | 49.4  | 3,429                               | 49.4  |
| Gross profit                                     | 2,237                                      | 52.2  | 1,545                                      | 50.6  | 3,515                               | 50.6  |
| Selling, general and administrative expenses     | 1,664                                      | 38.8  | 1,372                                      | 44.9  | 3,005                               | 43.3  |
| Operating income                                 | 572  | 13.4  | 173  | 5.7   | 509                                 | 7.3   |
| Non-operating income                             | 2  | 0.0   | 1  | 0.0   | 3                                   | 0.1   |
| Interest income                                  | 0  |       | 0  |       | 1                                   |       |
| Refund of consumption taxes                      | —  |       | 0  |       | 0                                   |       |
| Compensation of damages                          | —  |       | 0  |       | 2                                   |       |
| Subsidy  | 2  |       | —  |       | —                                   |       |
| Others   | 0  |       | 0  |       | 0                                   |       |
| Non-operating expenses                           | 5  | 0.1   | 52   | 1.7   | 74                                  | 1.1   |
| Interest expenses                                | 2  |       | 2  |       | 8                                   |       |
| Equity in net losses of affiliated companies     | 2  |       | 49   |       | 62                                  |       |
| Others   | —  |       | 1  |       | 3                                   |       |
| Ordinary Income                                  | 570  | 13.3  | 121  | 4.0   | 438                                 | 6.3   |
| Extraordinary gain                               | 9  | 0.2   | 88   | 2.9   | 103                                 | 1.5   |
| Gain on sales of investment securities           | 9  |       | 44   |       | 53                                  |       |
| Gain on change of equity                         | —  |       | 43   |       | 49                                  |       |
| Extraordinary loss                               | 24   | 0.5   | 1  | 0.1   | 105                                 | 1.5   |
| Loss from retirement of fixed assets             | —  |       | 1  |       | 3                                   |       |
| Loss from revaluation of software                | 22   |       | —  |       | 101                                 |       |
| Others   | 1  |       | —  |       | —                                   |       |
| Income before income taxes and minority interest | 555  | 13.0  | 207  | 6.8   | 436                                 | 6.3   |
| Income taxes                                     |  |       |  |       |                                     |       |
| Current  | 201  | 4.7   | 1  | 0.0   | 2                                   | 0.1   |
| Deferred   | (287)                                      | (6.7) | —  | —     | —                                   | —     |
| Total  | (86)                                       | (2.0) | 1  | 0.0   | 2                                   | 0.1   |
| Minority interest in loss                        | 18   | 0.4   | 13   | 0.4   | 24                                  | 0.4   |
| Net income                                       | 660  | 15.4  | 219  | 7.2   | 457                                 | 6.6   |

### Sales Composition

|                             | Interim Period ended<br>September 30, 2002 |       | Interim Period ended<br>September 30, 2001 |       | Fiscal year ended<br>March 31, 2002 |       |
|-----------------------------|--|-------|--|-------|-------------------------------------|-------|
|                             | Million yen                                | %     | Million yen                                | %     | Million yen                         | %     |
| Content Business            | 3,544                                      | 82.7  | 2,679                                      | 87.8  | 5,909                               | 85.1  |
| Marketing Solution Business | 578  | 13.5  | 297  | 9.7   | 778                                 | 11.2  |
| International Business      | 11   | 0.2   | 4  | 0.2   | 31                                  | 0.5   |
| Technology Related Business | 154  | 3.6   | 69   | 2.3   | 225                                 | 3.2   |
| Total                       | 4,288                                      | 100.0 | 3,051                                      | 100.0 | 6,944                               | 100.0 |

Note1. "Technology Related Business" is mainly Client-side Software Development / Licensing Business

### (3) Consolidated Statements of Shareholders' Equity

The Interim Period of FY March 2003, the Interim Period of FY March 2002 and the FY March 2002

|   | Outstanding<br>number of<br>common stock | Common<br>stock | Additional<br>Paid-in<br>capital | Deficit     | Unrealized<br>gain on<br>available-for-<br>sale<br>securities | Foreign<br>currency<br>translation<br>adjustment |
|---|--|-----------------|----------------------------------|-------------|---|--|
|   |  | Million<br>yen  | Million yen                      | Million yen | Million yen   | Million yen                                      |
| <b>Balance - March 31, 2001</b>   | 15,340                                   | 2,405           | 2,462                            | (1,545)     | —   | —  |
| Net Income  |  |                 |                                  | 219         |   |  |
| Increase in deficit resulting from increase<br>of affiliates on equity method |  |                 |                                  | (8)         |   |  |
| Stock split   | 15,340                                   |                 |                                  |             |   |  |
| Unrealized gain<br>on available-for-sale securities                           |  |                 |                                  |             | 7   |  |
| Foreign currency translation adjustment                                       |  |                 |                                  |             |   | (2)  |
| <b>Balance - September 30, 2001</b>   | 30,680                                   | 2,405           | 2,462                            | (1,333)     | 7   | (2)  |
| Net Income  |  |                 |                                  | 238         |   |  |
| Exercise of stock option  | 18                                       | 3               | 3                                |             |   |  |
| Unrealized gain<br>on available-for-sale securities                           |  |                 |                                  |             | (5)   |  |
| Foreign currency translation adjustment                                       |  |                 |                                  |             |   | 2  |
| <b>Balance - March 31, 2002</b>   | 30,698                                   | 2,408           | 2,465                            | (1,095)     | 3   | (0)  |
| Net Income  |  |                 |                                  | 660         |   |  |
| Exercise of stock option  | 942                                      | 157             | 157                              |             |   |  |
| Unrealized gain<br>on available-for-sale securities                           |  |                 |                                  |             | (3)   |  |
| Foreign currency translation<br>adjustment                                    |  |                 |                                  |             |   | 0  |
| <b>Balance - September 30, 2002</b>   | 31,640                                   | 2,565           | 2,622                            | (434)       | —   | (0)  |

(4) Consolidated Cash Flow Statements

The Interim Period of FY March 2003, the Interim Period of FY March 2002 and the FY March 2002

|  | Interim Period ended<br>September 30, 2002 | Interim Period ended<br>September 30, 2001 | Fiscal year ended<br>March 31, 2002 |
|--|--|--|-------------------------------------|
|  | Million yen                                | Million yen                                | Million yen                         |
| <b>Operating activities :</b>  |  |  |                                     |
| Income before income taxes and minority interest                           | 555  | 207  | 436                                 |
| Adjustments to reconcile net loss to net cash used in operating activities |  |  |                                     |
| Depreciation and amortization  | 186  | 170  | 365                                 |
| Increase(decrease)in allowance for doubtful accounts                       | (4)  | 33   | 13                                  |
| Increase(decrease)in bonus payment reserve                                 | 24   | 1  | 12                                  |
| Interests and dividend received  | (0)  | (0)  | (1)                                 |
| Interests expenses   | 2  | 2  | 8                                   |
| Equity in net losses of affiliated companies                               | 2  | 49   | 62                                  |
| Gain on sales of investment securities                                     | (9)  | (44)                                       | (53)                                |
| Gain on change of equity   | 1  | (43)                                       | (49)                                |
| Increase(decrease)in trade accounts receivable                             | (102)                                      | (309)                                      | (757)                               |
| Decrease(increase)in inventories   | 4  | 36   | 21                                  |
| Increase(decrease)in trade accounts payable                                | 59   | 85   | 150                                 |
| Increase(decrease)in accounts payable others                               | (162)                                      | (2)  | 263                                 |
| Other—net  | (47)                                       | 64   | 190                                 |
| <b>Total adjustments</b>   | <b>511</b>                                 | <b>250</b>                                 | <b>662</b>                          |
| Interests and dividend received  | 0  | 0  | 0                                   |
| Interest expenses  | (3)  | (3)  | (8)                                 |
| Income taxes—paid  | (3)  | (2)  | (2)                                 |
| <b>Net cash provided by operating activities</b>                           | <b>505</b>                                 | <b>245</b>                                 | <b>652</b>                          |
| <b>Investing activities :</b>  |  |  |                                     |
| Expenditures for property and equipment                                    | (8)  | (11)                                       | (37)                                |
| Expenditures for software  | (227)                                      | (154)                                      | (322)                               |
| Expenditures for investment securities                                     | (50)                                       | (42)                                       | (42)                                |
| Proceeds from sales of investment securities                               | 25   | 60   | 87                                  |
| Expenditures for lease deposits  | (0)  | (144)                                      | (146)                               |
| Other—net  | (5)  | (33)                                       | (37)                                |
| <b>Net cash used in investing activities</b>                               | <b>(266)</b>                               | <b>(326)</b>                               | <b>(498)</b>                        |
| <b>Financing activities :</b>  |  |  |                                     |
| Proceeds from Short-term bank debt   | 250  | 500  | 800                                 |
| Repayment of short-term bank debt  | (262)                                      | —  | (500)                               |
| Repayment of long-term debt  | (20)                                       | (19)                                       | (39)                                |
| Proceeds from issue of new shares  | 314  | —  | 6                                   |
| Proceeds from minority share holders                                       | 14   | 63   | 83                                  |
| Other—net  | —  | (1)  | (1)                                 |
| <b>Net cash provided by financing activities</b>                           | <b>295</b>                                 | <b>542</b>                                 | <b>348</b>                          |
| <b>Foreign currency translation adjustment</b>                             | <b>(0)</b>                                 | <b>—</b>                                   | <b>—</b>                            |
| <b>Net increase (decrease) in cash and cash equivalents</b>                | <b>534</b>                                 | <b>461</b>                                 | <b>502</b>                          |
| <b>Cash and cash equivalents, beginning of period</b>                      | <b>2,062</b>                               | <b>1,560</b>                               | <b>1,560</b>                        |
| <b>Cash and cash equivalents, end of period</b>                            | <b>2,597</b>                               | <b>2,022</b>                               | <b>2,062</b>                        |

# Basic Information for the Consolidated Financial Statements

|  |  |
|--|--|
| 1. Basis of Consolidation  | <p>(1) The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.</p> <p>In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan.</p> <p>(2) Number of Consolidated Company: 2 (two)<br/> Name of the Consolidated Company:<br/> K Laboratory Co., Ltd.<br/> DMOVE Co., Ltd.</p> <p>(3) CYBIRD Co., Ltd. has no unconsolidated subsidiaries.</p> |
| 2. Equity Method   | <p>(1) Number of associated companies accounted for by equity method: 1 (one)<br/> Name of the associated company accounted for by equity method: CYBIRD Korea Co., Ltd.</p> <p>(2) For the company accounted for by the equity method that has a different semi-annual period from that of the consolidated financial statements, the equity method is applied by using its semi-financial statements.</p>  |
| 3. Fiscal Year of Consolidated Subsidiary  | The fiscal year of the consolidated subsidiaries is same as that of the consolidated business year.  |
| <p>4. Summary of Significant Accounting Policies</p> <p>(1) Asset Valuation Standards and Methods</p> <p>(2) Depreciation Method for Depreciable Asset</p> <p>(3) Allowance or Reserve</p> | <p>① Investment Securities<br/> Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.<br/> Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.</p> <p>② Inventories<br/> a. Merchandise<br/> Valuation at Cost by Moving Average Cost Method<br/> b. Work in Process<br/> Valuation at Cost by Identified Cost Method</p> <p>① Tangible Fixed Asset<br/> Computed on the declining-balance method.<br/> Useful Lives are as follows.<br/> Leasehold improvements 10 to 15 years<br/> Furniture and Fixtures 5 to 6 years</p> <p>② Intangible Fixed Asset<br/> The straight-line method, based on a useful life of 3 years, is applied to software for in-house use.</p>  |

|   |   |
|---|---|
| (4) Leases  | <p>① Allowance for Doubtful Accounts<br/>The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.</p> <p>② Bonus Payment Reserve<br/>The bonus payment reserve is stated in amounts considered to be appropriate based on the amount of bonus forecast.</p> <p>All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases deemed to transfer ownership of the leased property to the lessee are capitalized, while other finance leases may be accounted for as operating leases subject to appropriate footnote disclosure.</p> |
| 5. Cash and Cash Equivalents in Consolidated Cash Flow Statements | Cash and Cash Equivalents in the Consolidated Cash Flow Statements consist of cash on hand and bank deposits with maturities under 3 months.  |

## Notes

(Consolidated Balance Sheets)

(Round off to millions)

| Item   | Term | Interim Period ended<br>September 30, 2002 | Interim Period ended<br>September 30, 2001 | Fiscal year ended<br>March 31, 2002 |
|--|------|--|--|-------------------------------------|
| 1. Accumulated Amount of<br>Depreciation for Tangible Assets |      | 98 million yen                             | 55 million yen                             | 77 million yen                      |

(Consolidated Profit and Loss Statements)

(Round off to millions)

| Item \ Term  | Interim Period ended<br>September 30, 2002  | Interim Period ended<br>September 30, 2001  | Fiscal year ended<br>March 31, 2001   |
|--|---|---|---|
| 1. Principal Selling and General Administrative Expenses | Advertisement & General Publicity Expenses<br>153 million yen<br>Allowance for Doubtful Accounts<br>31 million yen<br>Employees' Salaries<br>293 million yen<br>Change in Bonus Payment Reserve<br>28 million yen<br>Research and Development Cost<br>201 million yen<br>Charges & Commissions<br>504 million yen | Advertisement & General Publicity Expenses<br>182 million yen<br>Allowance for Doubtful Accounts<br>33 million yen<br>Employees' Salaries<br>190 million yen<br>Change in Bonus Payment Reserve<br>10 million yen<br>Research and Development Cost<br>255 million yen<br>Charges & Commissions<br>369 million yen | Advertisement & General Publicity Expenses<br>387 million yen<br>Allowance for Doubtful Accounts<br>16 million yen<br>Employees' Salaries<br>437 million yen<br>Change in Bonus Payment Reserve<br>17 million yen<br>Research and Development Cost<br>486 million yen<br>Charges & Commissions<br>836 million yen |

**(Consolidated Cash Flow Statements)**

(Round off to millions)

| Term<br>Item   | Interim Period ended<br>September 30, 2002   | Interim Period ended<br>September 30, 2001   | Fiscal year ended<br>March 31, 2002  |
|--|--|--|--|
| Relation between Balance of Cash<br>& Cash Equivalents and Items in<br>the Consolidated Balance Sheets | Cash & Cash Equivalents Account<br><u>2,597 million yen</u><br><br>Cash & Cash Equivalents<br><u>2,597 million yen</u> | Cash & Cash Equivalents Account<br><u>2,022 million yen</u><br><br>Cash & Cash Equivalents<br><u>2,022 million yen</u> | Cash & Cash Equivalents Account<br><u>2,062 million yen</u><br><br>Cash & Cash Equivalents<br><u>2,062 million yen</u> |



## (Lease Transactions)

(Round off to millions)

| Item \ Term   | Interim Period ended<br>September 30, 2002  |                             |                                     |                    | Interim Period ended<br>September 30, 2001 |                             |                                     |                    | Fiscal year ended<br>March 31, 2001 |                             |                                     |                    |
|---|---|-----------------------------|-------------------------------------|--------------------|--|-----------------------------|-------------------------------------|--------------------|-------------------------------------|-----------------------------|-------------------------------------|--------------------|
| Finance Lease Transactions, with which the Ownership is not Transferred to the Lessee.      | Unit: million yen   |                             |                                     |                    | Unit: million yen                          |                             |                                     |                    | Unit: million yen                   |                             |                                     |                    |
| 1. Pro Forma Equivalent Acquisition Cost, Accumulated Depreciation and Net Leased Property. |   | Equivalent Acquisition Cost | Equivalent Accumulated Depreciation | Equivalent Balance |  | Equivalent Acquisition Cost | Equivalent Accumulated Depreciation | Equivalent Balance |                                     | Equivalent Acquisition Cost | Equivalent Accumulated Depreciation | Equivalent Balance |
|   | Property & Equipment  | 662                         | 346                                 | 315                | Property & Equipment                       | 611                         | 180                                 | 431                | Property & Equipment                | 623                         | 262                                 | 360                |
|   | Software  | 37                          | 23                                  | 13                 | Software                                   | 37                          | 11                                  | 25                 | Software                            | 37                          | 23                                  | 13                 |
|   | Total   | 699                         | 369                                 | 329                | Total                                      | 648                         | 192                                 | 456                | Total                               | 660                         | 285                                 | 374                |
| 2. Pro Forma Equivalent Balance of Unexpired Lease Expenses                                 | Due within 1 year   | 192 million yen             |                                     |                    | Due within 1 year                          | 178million yen              |                                     |                    | Due within 1 year                   | 183 million yen             |                                     |                    |
|   | Due after 1 year  | 156 million yen             |                                     |                    | Due after 1 year                           | 295million yen              |                                     |                    | Due after 1 year                    | 216 million yen             |                                     |                    |
|   | Total   | 349million yen              |                                     |                    | Total                                      | 474 million yen             |                                     |                    | Total                               | 400 million yen             |                                     |                    |
| 3. Lease Expenses, Pro Forma Equivalent Depreciation and Interest Expense                   | Lease Expenses  | 98 million yen              |                                     |                    | Lease Expenses                             | 94 million yen              |                                     |                    | Lease Expenses                      | 189 million yen             |                                     |                    |
|   | Equivalent Depreciation   | 89 million yen              |                                     |                    | Equivalent Depreciation                    | 85 million yen              |                                     |                    | Equivalent Depreciation             | 174 million yen             |                                     |                    |
|   | Equivalent Interest Expense   | 9 million yen               |                                     |                    | Equivalent Interest Expense                | 12 million yen              |                                     |                    | Equivalent Interest Expense         | 23 million yen              |                                     |                    |
| 4. Computation Method for Pro Forma Equivalent Depreciation                                 | Straight-line method.<br>Lease period is the useful life of the asset, and scrap value is zero.   |                             |                                     |                    | Same as on left                            |                             |                                     |                    | Same as on left                     |                             |                                     |                    |
| 5. Computation Method for Pro Forma Equivalent Interest                                     | Interest method.<br>Pro forma equivalent interest is estimated as the difference of total lease expense and pro forma equivalent acquisition value. |                             |                                     |                    | Same as on left                            |                             |                                     |                    | Same as on left                     |                             |                                     |                    |

**(Securities)**

Current Consolidated Interim (From April 1, 2002 to September 30, 2002)

1. Marketable Securities

Investment Securities

Not Applicable.

2. Non-Marketable Securities

Investment Securities

(Round off to millions)

| Classification                           | Recorded Amount |
|--|-----------------|
| Securities without Present Market Values | 57 million yen  |

Previous Consolidated Interim (From April 1, 2001 to September 30, 2001)

1. Marketable Securities

Investment Securities

(Round off to millions)

| Classification | Acquisition Value | Recorded Amount | Change         |
|----------------|-------------------|-----------------|----------------|
| Stock          | 35 million yen    | 48 million yen  | 13 million yen |

2. Non-Marketable Securities

Investment Securities

(Round off to millions)

| Classification                           | Recorded Amount |
|--|-----------------|
| Securities without Present Market Values | 7 million yen   |

Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

1. Marketable Securities

Investment Securities

(Round off to millions)

| Classification | Acquisition Value | Recorded Amount | Change        |
|----------------|-------------------|-----------------|---------------|
| Stock          | 15 million yen    | 22 million yen  | 6 million yen |

2. Non-Marketable Securities

Investment Securities

(Round off to millions)

| Classification                           | Recorded Amount |
|--|-----------------|
| Securities without Present Market Values | 7 million yen   |

**(Derivative Financial Instruments)**

Interim ended September 30, 2002

Not Applicable.

Interim ended September 30, 2001

Not Applicable.

Fiscal year ended March 31, 2002

Not Applicable.

**(Segment Information)**

**1. Business Segment Information**

Current Consolidated Interim (From April 1, 2002 to September 30, 2002), Previous Consolidated Interim (From April 1, 2001 to September 30, 2001)

The principle businesses of the Company and its consolidated subsidiaries are a content business for mobile phone and PHS, and a system development business for mobile contents and mobile services. A description of these businesses is omitted here, because these businesses are regarded as one business segment, 'mobile Internet businesses'.

Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

The principle businesses of the Company and its consolidated subsidiaries are a content business for mobile phone and PHS, and a system development business for mobile contents and mobile services. A description of these businesses is omitted here, because the amount of sales, operating profit or assets from, or of, those business segments accounts for more than 90% of total sales, operating profit or assets.

**2. Geographic Segment Information**

Current Consolidated Interim (From April 1, 2002 to September 30, 2002)

Description is omitted, due to the amount of sales and amount of assets in Japan accounted more than 90% of consolidated sales.

Previous Consolidated Interim (From April 1, 2001 to September 30, 2001) and Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

Not applicable. (No existing branches or consolidated subsidiaries outside Japan.)

**3. Overseas Sales**

Current Consolidated Interim (From April 1, 2002 to September 30, 2002), Previous Consolidated Interim (From April 1, 2001 to September 30, 2001) and Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

Description is omitted, due to the amount of overseas sales less than 10% of consolidated sales.

## 5. Consolidated Financial Statements (Quarter)

(3) Consolidated Balance Sheets  
The Second Quarter of FY March 2003

|   | The second quarter<br>As of September 30, 2002 |              | The first quarter<br>As of June 30, 2002 |              | Change      |              |
|---|--|--------------|--|--------------|-------------|--------------|
|   | Million yen                                    | %            | Million yen                              | %            | Million yen | %            |
| <b>Assets</b>                             |  |              |  |              |             |              |
| <b>Current Assets :</b>                   |  |              |  |              |             |              |
| Cash and cash equivalents                 | 2,597  |              | 2,399                                    |              |             |              |
| Trade accounts receivable                 | 2,117  |              | 1,970                                    |              |             |              |
| Inventories                               | 36   |              | 12                                       |              |             |              |
| Other current assets                      | 258  |              | 123                                      |              |             |              |
| Allowance for doubtful accounts           | (31)   |              | (78)                                     |              |             |              |
| <b>Total current assets</b>               | <b>4,977</b>                                   | <b>81.3</b>  | <b>4,426</b>                             | <b>82.1</b>  | <b>551</b>  | <b>12.5</b>  |
| <b>Fixed Assets</b>                       |  |              |  |              |             |              |
| Tangible fixed assets :                   | 121  | 2.0          | 132                                      | 2.4          | (10)        | (8.1)        |
| Intangible fixed assets :                 |  |              |  |              |             |              |
| Software                                  | 474  |              | 503                                      |              |             |              |
| Other intangible fixed assets             | 28   |              | 33                                       |              |             |              |
| <b>Total intangible fixed assets</b>      | <b>502</b>                                     | <b>8.2</b>   | <b>536</b>                               | <b>10.0</b>  | <b>(34)</b> | <b>(6.3)</b> |
| <b>Investments and other assets :</b>     |  |              |  |              |             |              |
| Lease deposit                             | 255  |              | 254                                      |              |             |              |
| Other assets                              | 261  |              | 41                                       |              |             |              |
| <b>Total investments and other assets</b> | <b>516</b>                                     | <b>8.5</b>   | <b>295</b>                               | <b>5.5</b>   | <b>221</b>  | <b>74.9</b>  |
| <b>Total fixed assets</b>                 | <b>1,141</b>                                   | <b>18.7</b>  | <b>964</b>                               | <b>17.9</b>  | <b>176</b>  | <b>18.3</b>  |
| <b>Total</b>                              | <b>6,119</b>                                   | <b>100.0</b> | <b>5,391</b>                             | <b>100.0</b> | <b>727</b>  | <b>13.5</b>  |
|   |  |              |  |              |             |              |

|   | The second quarter<br>As of September 30, 2002 |       | The first quarter<br>As of June 30, 2002 |        | Change      |         |
|---|--|-------|--|--------|-------------|---------|
|   | Million yen                                    | %     | Million yen                              | %      | Million yen | %       |
| <b>Liabilities and shareholders' equity</b> |  |       |  |        |             |         |
| <b>Current liabilities :</b>                |  |       |  |        |             |         |
| Trade accounts payable                      | 390  |       | 356                                      |        |             |         |
| Short-term debt                             | 287  |       | 183                                      |        |             |         |
| Bonus payment reserve                       | 67   |       | 0  |        |             |         |
| Accounts payable                            | 578  |       | 457                                      |        |             |         |
| Other current liabilities                   | 18   |       | 34                                       |        |             |         |
| <b>Total current liabilities</b>            | 1,341  | 21.9  | 1,031                                    | 19.1   | 309         | 30.0    |
| <b>Fixed liabilities :</b>                  |  |       |  |        |             |         |
| <b>Total fixed liabilities</b>              | —  | —     | 7  | 0.1    | (7)         | (100.0) |
| <b>Total liabilities</b>                    | 1,341  | 21.9  | 1,038                                    | 19.2   | 302         | 29.2    |
| <b>Minority interest :</b>                  | 25   | 0.4   | 19                                       | 0.4    | 5           | 28.1    |
| <b>Shareholders' equity :</b>               |  |       |  |        |             |         |
| Common stock                                | 2,565  | 41.9  | 2,555                                    | 47.4   |             |         |
| Additional paid-in capital                  | 2,622  | 42.9  | 2,612                                    | 48.4   |             |         |
| Deficit                                     | 434  | (7.1) | 834                                      | (15.4) |             |         |
| Foreign currency translation adjustment     | (0)  | (0.0) | (0)                                      | (0.0)  |             |         |
| <b>Total Capital</b>                        | 4,752  | 77.7  | 4,332                                    | 80.4   | 419         | 9.7     |
| <b>Total</b>                                | 6,119  | 100.0 | 5,391                                    | 100.0  | 727         | 13.5    |

## (2) Consolidated Statements of Income

## The Second Quarter of FY March 2003

|  | The second quarter<br>From July 1<br>To September 30,2002 |        | The first quarter<br>From April 1<br>To June 30,2002 |       | Change      |          |
|--|---|--------|--|-------|-------------|----------|
|  | Million yen   | %      | Million yen  | %     | Million yen | %        |
| Net sales  | 2,239   | 100.0  | 2,048  | 100.0 | 191         | 9.3      |
| Cost of sales  | 1,053   | 47.0   | 997  | 48.7  | 55          | 5.6      |
| Gross profit   | 1,186   | 53.0   | 1,050  | 51.3  | 135         | 12.9     |
| Selling, and general administrative expenses             | 857   | 38.3   | 806  | 39.4  | 50          | 6.3      |
| Operating Income   | 329   | 14.7   | 243  | 11.9  | 85          | 34.9     |
| Non-operating income                                     | 1   | 0.0    | 1  | 0.1   | (0)         | (31.9)   |
| Non-operating expenses                                   | 2   | 0.1    | 2  | 0.1   | (0)         | (5.5)    |
| Ordinary Income  | 327   | 14.6   | 242  | 11.9  | 84          | 34.9     |
| Extraordinary gain                                       | —   | —      | 9  | 0.4   | (9)         | (100.0)  |
| Extraordinary loss                                       | 24  | 1.1    | —  | —     | 24          | —        |
| Income before income taxes and minority interest in loss | 303   | 13.5   | 252  | 12.3  | 51          | 20.3     |
| Income taxes   |   |        |  |       |             |          |
| Current  | 200   | 9.0    | 1  | 0.1   | 199         | 17,171.4 |
| Deferred   | (287)   | (12.9) | —  | —     | (287)       | —        |
| Minority interest in loss                                | 8   | 0.4    | 10   | 0.5   | (1)         | (13.2)   |
| Net income   | 399   | 17.8   | 261  | 12.7  | 138         | 52.9     |

## Sales Composition

| Item                        | The second quarter<br>From July 1<br>To September 30,2002 |       | The first quarter<br>From April 1<br>To June 30,2002 |       | Change      |       |
|-----------------------------|---|-------|--|-------|-------------|-------|
|                             | Million yen   | %     | Million yen  | %     | Million yen | %     |
| Content Business            | 1,828   | 81.7  | 1,715  | 83.7  | 112         | 6.6   |
| Marketing Solution Business | 316   | 14.2  | 261  | 12.8  | 55          | 21.2  |
| International Business      | 7   | 0.3   | 3  | 0.2   | 4           | 141.6 |
| Technology Related Business | 86  | 3.8   | 68   | 3.3   | 18          | 26.6  |
| Total                       | 2,239   | 100.0 | 2,048  | 100.0 | 191         | 9.3   |

Note 1. "Technology Related Business" is mainly Client-side Software Development / Licensing Business

(3) Consolidated Statements of Shareholders' Equity  
The Second Quarter of FY March 2003

|   | Outstanding<br>number of<br>common stock | Common<br>stock | Additional<br>Paid-in<br>capital | Deficit        | Unrealized<br>gain on<br>available-<br>for-sale<br>securities | Foreign<br>currency<br>translation<br>adjustment |
|---|--|-----------------|----------------------------------|----------------|---|--|
|   |  | Million<br>yen  | Million<br>yen                   | Million<br>yen | Million<br>yen  | Million<br>yen                                   |
| <b>Balance - December 31, 2001</b>                  | 30,680                                   | 2,405           | 2,462                            | (1,280)        | 6   | (2)  |
| Net Income  |  |                 |                                  | 185            |   |  |
| Exercise of stock option                            | 18                                       | 3               | 3                                |                |   |  |
| Unrealized gain on<br>available-for-sale securities |  |                 |                                  |                | (2)   |  |
| Foreign currency translation<br>adjustment          |  |                 |                                  |                |   | (1)  |
| <b>Balance - March 31, 2002</b>                     | 30,698                                   | 2,408           | 2,465                            | (1,095)        | 3   | (0)  |
| Net Income  |  |                 |                                  | 261            |   |  |
| Exercise of stock option                            | 881                                      | 146             | 146                              |                |   |  |
| Unrealized gain on<br>available-for-sale securities |  |                 |                                  |                | (3)   |  |
| Foreign currency translation<br>adjustment          |  |                 |                                  |                |   | (0)  |
| <b>Balance - June 30, 2002</b>                      | 31,579                                   | 2,555           | 2,612                            | (834)          | —   | (0)  |
| Net Income  |  |                 |                                  | 399            |   |  |
| Exercise of stock option                            | 61                                       | 10              | 10                               |                |   |  |
| Foreign currency translation<br>adjustment          |  |                 |                                  |                |   | 0  |
| <b>Balance - September 30, 2002</b>                 | 31,640                                   | 2,565           | 2,622                            | (434)          | —   | (0)  |

## (4) Consolidated Cash Flow Statements

## The Second Quarter of FY March 2003

|  | The second quarter<br>From July 1<br>To September 30, 2002 | The first quarter<br>From April 1<br>To June 30, 2002 |
|--|--|---|
|  | Million yen  | Million yen   |
| <b>Operating activities :</b>  |  |   |
| Income before income taxes and minority interest                           | 303  | 252   |
| Adjustments to reconcile net loss to net cash used in operating activities |  |   |
| Depreciation and amortization  | 97   | 89  |
| Increase (decrease) in allowance for doubtful accounts                     | (47)   | 42  |
| Increase (decrease) in bonus payment reserve                               | 66   | (42)  |
| Interests and dividend received  | (0)  | (0)   |
| Interests expenses   | 1  | 1   |
| Equity in net losses of affiliated companies                               | 1  | 1   |
| Gain on sales of investment securities                                     | —  | (9)   |
| Gain on change of equity   | 1  | —   |
| Increase (decrease) in trade accounts receivable                           | (147)  | 45  |
| Decrease (increase) in inventories   | (23)   | 28  |
| Increase (decrease) in trade accounts payable                              | 34   | 25  |
| Increase (decrease) in accounts payable other                              | (75)   | (87)  |
| Other—net  | (11)   | (36)  |
| Total adjustments  | 200  | 310   |
| Interests and dividend received  | 0  | 0   |
| Interest expenses  | (1)  | (1)   |
| Income taxes—paid  | —  | (3)   |
| <b>Net cash provided by operating activities</b>                           | <b>199</b>   | <b>306</b>  |
| <b>Investing activities :</b>  |  |   |
| Expenditures for property and equipment                                    | (2)  | (6)   |
| Expenditures for software  | (74)   | (153)   |
| Expenditures for investment securities                                     | (50)   | —   |
| Proceeds from sales of investment securities                               | —  | 25  |
| Expenditures for lease deposits  | (0)  | (0)   |
| Other—net  | (3)  | (1)   |
| <b>Net cash used in investing activities</b>                               | <b>(130)</b>   | <b>(136)</b>  |
| <b>Financing activities :</b>  |  |   |
| Proceeds from short-term bank debt   | 250  | 100   |
| Repayment of short-term bank debt  | (145)  | (216)   |
| Repayment of long-term debt  | (10)   | (10)  |
| Proceeds from minority shareholders  | 14   | —   |
| Proceeds from issue of new shares  | 20   | 293   |
| <b>Net cash provided by financing activities</b>                           | <b>128</b>   | <b>167</b>  |
| Foreign currency translation adjustment                                    | 0  | (0)   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                | <b>197</b>   | <b>336</b>  |
| <b>Cash and cash equivalents, beginning of period</b>                      | <b>2,399</b>   | <b>2,062</b>  |
| <b>Cash and cash equivalents, end of period</b>                            | <b>2,597</b>   | <b>2,399</b>  |



## 6. Stock Information

1. Authorized Share Capital 122,792 shares (as of September 30, 2002)
2. Outstanding Shares Issued 31,640 shares (as of September 30, 2002)  
(A 2 for 1 stock split will be implemented on November 15, 2002, with a record date of September 30, 2002.)
3. Fully Diluted Number of Shares 32,929 shares (as of September 30, 2002)  
(Considering additional 1,289 shares of subscription-right option plan)
4. Number of Shareholders 1,334 persons (as of September 30, 2002)

5. Principal Shareholders (as of September 30, 2002)

| Name of Shareholders                 | Shares Owned |       | Equity Contribution Towards Shareholders |   |
|--------------------------------------|--------------|-------|--|---|
|                                      | shares       | %     | shares                                   | % |
| Kazutomo Robert Hori                 | 4,299        | 13.58 | —  | — |
| Yosuke Iwai                          | 1,953        | 6.17  | —  | — |
| Tetsuya Sanada                       | 1,827        | 5.77  | —  | — |
| Omron Corporation                    | 1,800        | 5.68  | —  | — |
| Omron Finance Co., Ltd.              | 1,780        | 5.62  | —  | — |
| The Master Trust Bank of Japan, Ltd. | 1,345        | 4.25  | —  | — |
| Itochu Corporation                   | 1,260        | 3.98  | —  | — |
| Raumuzu Co., Ltd.                    | 1,260        | 3.98  | —  | — |
| Tomoo Tateishi                       | 1,098        | 3.47  | —  | — |
| Kenichiro Nakajima                   | 1,046        | 3.30  | —  | — |
| IMAGICA Corp.                        | 1,000        | 3.16  | —  | — |

6. Distribution of Shareholders (as of September 30, 2002)

|  | Assortment of Shareholders             |                         |                     |                       |   |                         |        |
|--|--|-------------------------|---------------------|-----------------------|---|-------------------------|--------|
|  | Government /<br>Local Public<br>Bodies | Financial<br>Institutes | Securities<br>Firms | Other<br>Corporations | Foreign Firms<br>(incl.<br>Individuals) | Individuals /<br>Others | Total  |
| Number of<br>Shareholders<br>(Persons) | 0                                      | 14                      | 1                   | 50                    | 37                                      | 1,232                   | 1,334  |
| Shares owned<br>(Shares)               | 0                                      | 5,062                   | 18                  | 8,651                 | 3,338                                   | 14,571                  | 31,640 |
| Percentage of<br>shares (%)            | 0.00                                   | 16.00                   | 0.06                | 27.34                 | 10.55                                   | 46.05                   | 100.00 |

7. Specified Minority Shareholder's Interest (as of September 30, 2002) 17,674 shares (55.86%)  
(10 major shareholders' + directors' interest)
8. Floating Shares (as of September 30, 2002) 3,911 shares (12.36%)  
(Floating shareholders' interest, holding less than 50 shares)
9. Shares owned by Investment Trust/Fund (as of September 30, 2002) 3,070 shares (9.70%)
10. Shares owned by Pension Trust/Fund (as of September 30, 2002) 267 shares (0.84%)

11. Shares owned by Directors (as of September 30, 2002)

10,229 shares

(32.33%)

12. Transition of Number of Shares Issued and Paid-in Capital

| Date   | Numbers of Shares Issued |         | Paid-in Capital (¥ Thousand) |           | Additional Paid in Capital (¥ Thousand) |           | Notes   |
|--|--------------------------|---------|------------------------------|-----------|---|-----------|---|
|  | Change                   | Balance | Change                       | Balance   | Change                                  | Balance   |   |
| September 29, 1998                             | 1,800                    | 1,800   | 90,000                       | 90,000    | 0                                       | 0         | Foundation, Issue Price ¥ 50,000  |
| November 23, 1999                              | 200                      | 2,000   | 50,000                       | 140,000   | 50,000                                  | 50,000    | Third Party Allocation (Investment Companies)<br>Offer Price ¥ 500,000, Capitalization ¥ 250,000  |
| December 30, 2000                              | 200                      | 2,200   | 50,000                       | 190,000   | 50,000                                  | 100,000   | Third Party Allocation (Kenichiro Nakajima)<br>Offer Price ¥ 500,000, Capitalization ¥ 250,000  |
| January 29, 2000                               | 200                      | 2,400   | 50,000                       | 240,000   | 50,000                                  | 150,000   | Third Party Allocation (Investment Companies)<br>Offer Price ¥ 500,000, Capitalization ¥ 250,000  |
| March 14, 2000                                 | 300                      | 2,700   | 300,000                      | 540,000   | 300,000                                 | 450,000   | Third Party Allocation (Omron Corp. etc.)<br>Offer Price ¥ 2,000,000, Capitalization ¥ 1,000,000  |
| March 28, 2000                                 | 1,000                    |         | 50,000                       |           | 500                                     |           | Exercise of Warrant No. 1<br>Issue Price ¥ 50,000, Capitalization ¥ 50,000<br>Excess over Par ¥ 500                                     |
| March 28, 2000                                 | 200                      | 3,900   | 200,000                      | 790,000   | 200,000                                 | 650,500   | Third Party Allocation (Dentsu.com No.1 etc.)<br>Offer Price ¥ 2,000,000, Capitalization ¥ 1,000,000                                    |
| March 31, 2000                                 | 480                      | 4,380   | 480,000                      | 1,270,000 | 480,000                                 | 1,130,500 | Third Party Allocation (Omron Corp. etc.)<br>Offer Price ¥ 2,000,000, Capitalization ¥ 1,000,000  |
| April 1, 2000                                  | 100                      | 4,480   | 5,000                        | 1,275,000 | 15,000                                  | 1,145,500 | Absorption of Paradiseweb Co. Ltd. (4 : 1)  |
| June 30, 2000                                  | 8,960                    | 13,440  | 0                            | 1,275,000 | 0                                       | 1,145,500 | Stock Split (3 : 1)   |
| December 21, 2000                              | 1,300                    |         | 773,500                      |           | 900,900                                 |           | IPO (Domestic)<br>Offer Price ¥ 1,400,000 (Underwriting Price ¥ 1,288,000,<br>Issue Price ¥ 1,190,000, Capitalization ¥ 595,000)        |
|  | 600                      | 15,340  | 357,000                      | 2,405,500 | 415,800                                 | 2,462,200 | IPO (Global Offering)<br>Offer Price ¥ 1,400,000 (Underwriting Price ¥ 1,288,000,<br>Issue Price ¥ 1,190,000, Capitalization ¥ 595,000) |
| August 24, 2001                                | 15,340                   | 30,680  | 0                            | 2,405,500 | 0                                       | 2,462,200 | Stock Split (2 : 1)   |
| March 31, 2002                                 | 18                       | 30,698  | 3,000                        | 2,408,500 | 3,000                                   | 2,465,200 | Exercise of Stock Option No. 1<br>Issue Price ¥ 333,334, Capitalization ¥166,667<br>Excess over Par ¥ 166,667                           |
| June 30, 2002<br>(from April 1 to June 30)     | 881                      | 31,579  | 146,833                      | 2,555,333 | 146,833                                 | 2,612,033 | Exercise of Stock Option No. 1<br>Issue Price ¥ 333,334, Capitalization ¥166,667<br>Excess over Par ¥ 166,667                           |
| September 30, 2002<br>(from July 1 to Sep. 30) | 61                       | 31,640  | 10,166                       | 2,565,500 | 10,166                                  | 2,622,200 | Exercise of Stock Option No. 1 and No. 2<br>Issue Price ¥ 333,334, Capitalization ¥166,667<br>Excess over Par ¥ 166,667                 |

### 13. Details of the stock option plans

#### (1) Stock Option No.1

##### \* Grantees and Granted Shares

| Position                         | Name                 | Shares |
|----------------------------------|----------------------|--------|
| President and CEO                | Kazutomo Robert Hori | 88     |
| Executive Vice President and CTO | Tetsuya Sanada       | 50     |
| Executive Vice President         | Yosuke Iwai          | 40     |
| Senior Vice President            | Kenichiro Nakajima   | 10     |
| Senior Vice President            | Tomoo Tateishi       | 5      |
| Employees                        | 37 Employees         | 47     |
| Total                            |                      | 240    |

(Note 1)

\* Exercise Price ¥ 2,000,000

(Note 2)

\* Exercise Period From March 1, 2002 to February 28, 2005

#### (2) Stock Option No.2

\* Grantees and Granted Shares 49 Employees 126 Shares

(Note 3)

\* Exercise Price ¥ 666,667

(Note 4)

\* Exercise Period From September 1, 2002 to August 31, 2005

#### (3) Stock Option No.3

##### \* Grantees and Granted Shares

| Position                         | Name                 | Shares |
|----------------------------------|----------------------|--------|
| President and CEO                | Kazutomo Robert Hori | 170    |
| Executive Vice President and CTO | Tetsuya Sanada       | 120    |
| Executive Vice President         | Yosuke Iwai          | 80     |
| Executive Vice President         | Kenichiro Nakajima   | 70     |
| Senior Vice President            | Shinichiro Yamashita | 50     |
| Senior Vice President            | Tomosada Yoshikawa   | 50     |
| Senior Vice President            | Mikio Inari          | 50     |
| Senior Vice President            | Tomoo Tateishi       | 10     |
| Employees                        | 46 Employees         | 200    |
| Total                            |                      | 800    |

(Note 5)

\* Exercise Price ¥ 452,566

(Note 6)

\* Exercise Period From September 1, 2003 to August 31, 2008

(Note 1) The number of shares to be issued, as of September 30, 2002, was adjusted to 428 shares, due to a stock split implemented on June 20, 2000 and August 24, 2001, due to the exercise of the stock options, and due to the retirement of employees.

(Note 2) Exercise price was adjusted to ¥ 333,334 as a result of the stock split implemented on June 20, 2000 and August 24, 2001. Exercise price will be adjusted to ¥ 166,667 as a result of the stock split implemented on November 15, 2002.

(Note 3) The number of potential but non-issued shares, as of September 30, 2002, is 94 shares due to the stock split on August 24, 2001 and the retirement of employees.

(Note 4) Exercise price was adjusted to 333,334 yen, as a result of the stock split implemented on August 24, 2001. Exercise price will be adjusted to ¥ 166,667 as a result of the stock split implemented on November 15, 2002.

(Note 5) The number of potential but non-issued shares, as of September 30, 2002, is 767 shares due to the retirement of employees.

(Note 6) Exercise price will be adjusted to ¥ 226,283 as a result of the stock split implemented on November 15, 2002.

14. Common stock held as Treasury Stock by CYBIRD

Not Applicable

15. Common stock held as Treasury Stock by Subsidiaries, Non-Consolidated or Affiliates or Equity Method Applied Affiliates

Not Applicable

## 7. Others

### 1. Financing

For the first half, our capital increased by 314 million yen as a result of the exercise of stock options, which added 942 shares.

### 2. Significant Subsequent Events after the Quarter Period

A stock split (2 : 1), with a record date of September 30, 2002, will be implemented on November 15, 2002.

### 3. Employees (as of September 30, 2002)

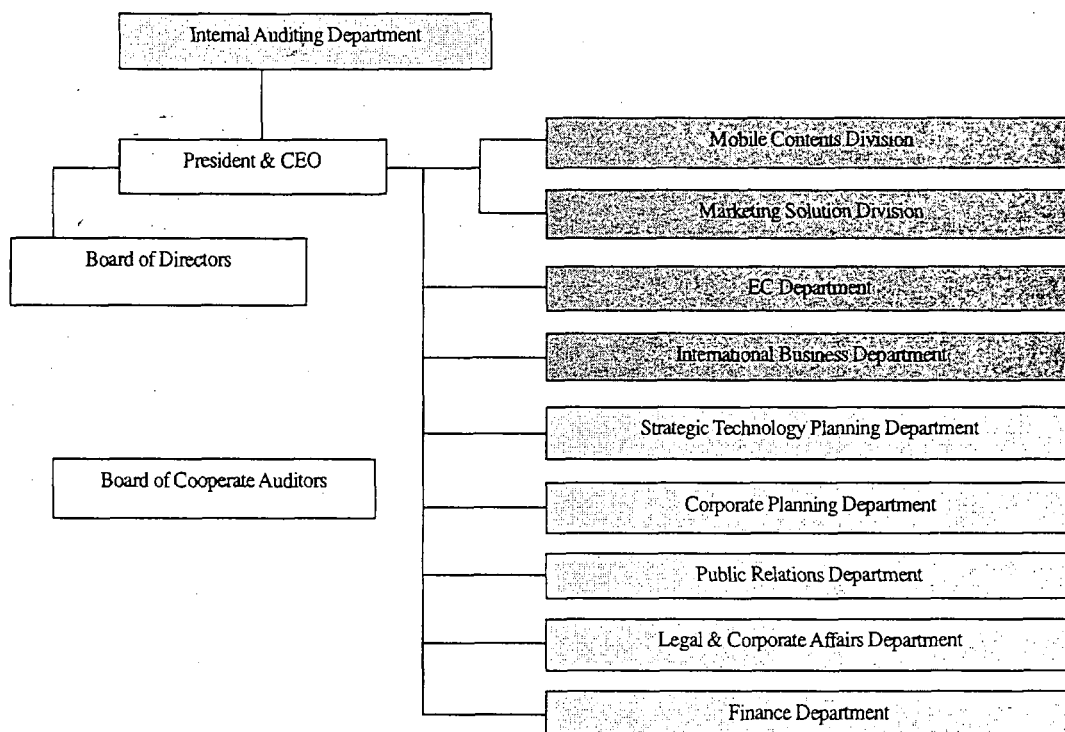
|  | Mobile<br>Contents<br>Division | Marketing<br>Solution<br>Division | EC<br>Department | International<br>Business<br>Department | Strategic<br>Technology<br>Planning<br>Department | Corporate<br>Planning<br>Department | Public<br>Relations<br>Department | Legal &<br>Corporate<br>Affairs<br>Department | Finance<br>Department | Internal<br>Auditing<br>Department | CYBIRD<br>Co., Ltd.<br>Total<br>(*1) | K<br>Laboratory<br>Co., Ltd.<br>(*2) |
|--|--------------------------------|-----------------------------------|------------------|---|---|-------------------------------------|-----------------------------------|---|-----------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Number of<br>Employees<br>(persons)          | 100                            | 26                                | 5                | 10                                      | 4   | 4                                   | 3                                 | 12  | 6                     | 0                                  | 170                                  | 67                                   |
| Change from<br>Previous Quarter<br>(persons) | -1                             | 1                                 | —                | 2                                       | —   | —                                   | 1                                 | 2   | —                     | —                                  | 5                                    | 2                                    |
| Average Age<br>(years old)                   | —                              | —                                 | —                | —                                       | —   | —                                   | —                                 | —   | —                     | —                                  | 30.82                                | 28.6                                 |
| Average Length<br>of Service<br>(month)      | —                              | —                                 | —                | —                                       | —   | —                                   | —                                 | —   | —                     | —                                  | 17.88                                | 10.9                                 |

\* 1 This number does not include 3 CYBIRD staff who are seconded to K Laboratory.

\* 1 This number includes 1 CYBIRD staff who is seconded to DMOVE. (Included in Mobile Content Division)

\* 2 This number includes 3 people seconded from CYBIRD.

### 4. Organization Chart



5. **Principal Business Establishment**

Head Office 4-3-20 Toranomon, Minato-ku, Tokyo

6. **Primary Lender** (as of September 30, 2002)

(1) **CYBIRD Co., Ltd.**

Not Applicable

(2) **K Laboratory Co., Ltd.**

| Lender                            | Amount          |
|-----------------------------------|-----------------|
| The Aozora Bank Ltd.              | 100 million yen |
| The Bank of Tokyo-Mitsubishi Ltd. | 187 million yen |
| Total                             | 287 million yen |

7. **Management** (as of September 30, 2002)

Directors and Statutory Auditors are as follows.

| Title                            | Name                 | Charge / Principal Occupation  |
|----------------------------------|----------------------|--|
| President and CEO                | Kazutomo Robert Hori | Vice President of International Business Department  |
| Executive Vice President and CTO | Tetsuya Sanada       | President & CEO, K Laboratory Co., Ltd.  |
| Executive Vice President         | Yosuke Iwai          |  |
| Executive Vice President         | Kenichiro Nakajima   |  |
| Senior Vice President            | Shinichiro Yamashita | General Manager of Marketing Solution Division<br>Vice President of Legal & Corporate Affairs Department |
| Senior Vice President            | Tomosada Yoshikawa   | Vice President of Finance Department and Public Relations Department<br>In charge of Disclosure          |
| Senior Vice President            | Mikio Inari          | In charge of Technology  |
| Senior Vice President            | Tomoo Tateishi       | (Omron Corporation)  |
| Corporate Auditor (Full Time)    | Juri Utsumi          |  |
| Corporate Auditor                | Masahisa Takeyama    | Takeyama & Co.   |
| Corporate Auditor                | Hiroshi Shimizu      | Takizawa & Co.   |

## 8. Principal Contracts

### (1) Contracts with Wireless Network Operators

| Contract Party                                   | Contents of Contracts  | Contract Date     |
|--|--|-------------------|
| NTT DoCoMo, Inc.                                 | "i-mode Information Service Provider Contract"<br>CYBIRD provides information to NTT DoCoMo. The ownership right belongs to CYBIRD. It is CYBIRD's responsibility to solve any disputes related to intellectual rights.                          | February 17, 1999 |
|  | "Subscription Fee Collection Service Contract for i-mode"<br>NTT DoCoMo collects the subscription fee from CYBIRD's content subscribers for CYBIRD.  | Ditto             |
| J-PHONE Co., Ltd.                                | "Content Providing Contract"<br>Basic Contract that defines CYBIRD's provision of contents to J-PHONE. The ownership right belongs to CYBIRD. It is CYBIRD's responsibility to solve any disputes related to intellectual rights.                | November 29, 1999 |
|  | "Contract for Assignment of Credit" (for all companies in J-PHONE group)<br>CYBIRD transfer the subscription fee from content subscribers to J-PHONE.  | January 20, 2000  |
| KDDI Corporation                                 | "Information Providing Contract for EZ Internet"<br>Basic Contract, which defines CYBIRD's providing contents to KDDI. The ownership right belongs to CYBIRD. It is CYBIRD's responsibility to solve any dispute related to intellectual rights. | February 1, 2000  |
| DDI POCKET, Inc.                                 | "Information Providing and Subscription Fee Collection Service Contract"<br>CYBIRD provides contents for DDI Pocket, and DDI Pocket collects the subscription fee from CYBIRD's content service subscribers for CYBIRD.                          | March 8, 2000     |
| E-Plus Service GmbH & Co. KG<br>(Germany)        | "Mobile Portal Agreement"<br>Agreement on CYBIRD's content services for E-Plus Service GmbH & Co. KG   | January 18, 2002  |
| KPN Mobile The Netherlands B.V.<br>(Netherlands) | "Mobile Portal Agreement"<br>Agreement on CYBIRD's content services for KPN Mobile The Netherlands B.V.  | February 14, 2002 |
|  | "Mobile Portal Billing Services Agreement"<br>KPN Mobile The Netherlands B.V. collects the subscription fee from CYBIRD's content subscribers for CYBIRD.  | February 14, 2002 |

### (2) Contracts with Alliance Partners

| Contract Party  | Contents of Contracts   | Contract Date                                       |
|---|---|---|
| Family Mart Co., Ltd.<br>(Transferred from<br>Famima.com Co., Ltd.; March<br>1, 2002) | "System Development Contract for 'Famima-i' and 'Famima J'"<br>A development contract for "Famima-i" and "Famima J", mobile commerce sites of Famima.com Co., Ltd. on i-mode and on J-Sky respectively. | December 1, 2000<br>(Revised September 26,<br>2001) |
| Dentsu Inc.   | "Agency Agreement for licensing "Sugu Mail™" services"<br>Licensing contract for the URL transferring tool, "Sugu Mail™" whereby Dentsu is entitled to license the service to its clients.              | September 28, 2001                                  |
| Yahoo! Japan Corporation  | "Agreement for development of the mobile version of 'Yahoo! Photos'"<br>Service provision of "Pri-net", a CYBIRD photo service for 'Yahoo! Photo's mobile service.                                      | November 26, 2001                                   |
| AucSale, Inc.   | "Alliance Contract"<br>Alliance Contract between AucSale and CYBIRD to develop full closed auction service system for mobile phone platform.  | July 29, 2002                                       |
| ITOCHU Corporation,<br>PIA Digital Communications<br>Co., Ltd.                        | "Partnership Contract"<br>Partnership Contract among three companies to develop a business utilizing "Sugu Mail™" for magazines that PIA publishes.   | September 25, 2002                                  |

(3) Others

Contract with Co-Development Partner

| Contract Party | Major Contents of Contracts  | Contract Date     |
|----------------|--|-------------------|
| IMAGICA Corp.  | "Joint Venture Agreement"<br>Agreement with IMAGICA Corp. regarding the establishment and operation of DMOVE Co., Ltd., which both parties will invest in. | February 15, 2002 |



## **7. Risk Factors**

Major factors, which could have a substantially negative impact on CYBIRD's operations, are discussed below. We proactively disclose those items, which we consider necessary for investors to include in their investment decision, including external factors beyond our control and business risks with a low probability of materializing. With an awareness of the potential risks, we make every effort to prevent these risks from materializing and will respond rapidly should problems arise. Management recommends that shareholders and other investors consider the following issues before assessing our position and our future performance.

### **1. Risks Related to Content Business**

#### **(1) Dependence on Specific Information Provider**

Around 70% of our content depends upon information from external information providers. There is no guarantee that we can maintain the present relations, including contract terms, with information providers. Contingencies, such as a hike in the information-providing fee, could severely impact operating results.

#### **(2) Dependence on Specific Operators**

We provide contents to NTT DoCoMo, Inc., ezweb of KDDI, J-SKY of J-PHONE Co., Ltd. and others, as well as H'Link of DDI Pocket, Inc. We, presently, rely substantially on our sales to NTT DoCoMo. Accordingly, a change in NTT DoCoMo's business policy or in its business trend could severely impact operating results.

Distribution of consolidated sales is as follows.

| Operators and others | 2nd Quarter, FY March 2002 | 3rd Quarter, FY March 2002 | 4th Quarter, FY March 2002 | 1st Quarter, FY March 2003 | 2nd Quarter, FY March 2003 |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| NTT DoCoMo           | 49.8%                      | 51.6%                      | 47.7%                      | 52.1%                      | 49.0%                      |
| KDDI                 | 16.4%                      | 14.4%                      | 13.2%                      | 14.7%                      | 14.1%                      |
| J-PHONE              | 19.9%                      | 19.4%                      | 18.3%                      | 19.2%                      | 17.8%                      |
| DDI Pocket           | 1.6%                       | 1.0%                       | 0.6%                       | 0.5%                       | 0.3%                       |
| Others               | 12.3%                      | 13.6%                      | 20.2%                      | 13.5%                      | 18.8%                      |
| Total                | 100.0%                     | 100.0%                     | 100.0%                     | 100.0%                     | 100.0%                     |

#### **(3) Stalling of Content / Service**

Mobile content and services, which we provide, are rather short-lived commodities in our rapid-changing business environment. We may not be able to recover our investments in such content and services, while they are still in service.

#### **(4) Dependence on Specific Content Services**

We provide content services covering a broad range of genres, with "Ring tone downloading", "Screensaver downloading", "Fortune telling", "Game" and "Communication" among the most popular services. Although our diversified content service is one of our strengths, contingent failure or changes in the competitiveness of those leading services could severely impact our operating results.

#### **(5) Popularity of Unofficial Sites**

We provide "Official Content" on each wireless network operator's "Official Menu". With the increase in "Unofficial Sites", which are not listed on operators' official menus, and in magazines and other media related to such unofficial sites, the number of subscribers of the official content sites may decrease. As a result, this could have a negative impact on our business.

### **2. Risks Related to Businesses in their Cradle Years**

#### **(1) Marketing Solution Business / EC Business**

These fields are highly competitive, and our technological and services-related strengths may become out of date due to the activity or entry of other competitors. As a result, we may not be able to compete successfully in our market.

## (2) International Business

Although we will try to reduce risks by forming alliances with local companies, there are still country risks, such as local economy, politics, laws and regulations, culture, business custom, competitors, exchange fluctuation and others. We may be exposed to these risks. Furthermore, in an unexpected situation, our investment recovery may not go as planned. This will have a negative effect on our business. Furthermore, even though the expectation for the business is sure, negative impact on the financial condition, due to the up front cost, is possible.

## (3) Technology-Related Business

Our research and development is carried out at K Laboratory Co., Ltd. This company focuses on research, development and licensing of next generation software platforms that are customized for mobile phones, and expects this field to develop into one of its major revenue sources. As the business is still in the investment phase, there is a possibility that we will not be able to recover our investment due to misjudgment in our trend forecasts. This may have a negative effect on our business.

## 3. Risks Related to Financial Condition and Results of Operations

### (1) Short History of Our Company and Our Industry

Our company was established in September 1998, and the content business, which is our major business, has been in service only for several years. Our content business and other business related to the mobile Internet are in the early stages of development. We are constantly exposed to the uncertainties of these factors, which can be considered as our business drivers. Accordingly our expectations for income, expenses and investments may be unreliable. Furthermore, because of our short history, we cannot provide adequate financial figures needed for periodic comparisons.

### (2) Volatility of Financial Plan and Quarterly Results

Since the business environment of the mobile Internet is extremely volatile and our business scale is so small, our quarterly business results may unexpectedly vary. Depending upon the business environment, changes in our business plan and other such factors, we may not be able to produce the expected amount of free cash flow. Also, we may not be able to invest or employ the funds as we plan. As a result, we may not achieve desired profitability.

## 4. Risks Related to Investments

We will expand our mobile Internet business and may make investments in equipment, subsidiaries, joint ventures, and M&A domestically and internationally. Even though we will assess the feasibility of investment closely, it is difficult to precisely ascertain the future effect of such investments on our business, in terms of the risks such as technology competitiveness, business market, exchange rate fluctuation, and the government policies, laws and regulations of each country. There remains the possibility that we may fail to gain sufficient return from these investments.

CYBIRD's Investments (as of September 30, 2002)

| Company                          | Location            | Foundation     | Principal Business     | Paid-in Capital | Shares Issued | CYBIRD's Stake |       |
|----------------------------------|---------------------|----------------|------------------------|-----------------|---------------|----------------|-------|
|                                  |                     |                |                        |                 |               | Shares         | %     |
| K Laboratory Co., Ltd.           | Minato-ku, Tokyo    | August, 2000   | Information Technology | ¥ 308 mil.      | 6,170         | 4,567          | 74.02 |
| DMOVE Co. Ltd.                   | Shinagawa-ku, Tokyo | February, 2002 | Information Technology | ¥ 20 mil.       | 400           | 210            | 52.50 |
| Cybird Korea Co., Ltd.           | Seoul, Korea        | August, 2000   | Information Technology | 1,200 mil. Won  | 240,000       | 70,000         | 29.17 |
| GiGAFLOPS Japan Inc.             | Shibuya-ku, Tokyo   | February, 2000 | Information Technology | ¥ 61 mil.       | 810           | 120            | 14.81 |
| COLLEGE COMMUNICATIONS Co., Ltd. | Shibuya-ku, Tokyo   | April, 2000    | Advertisement          | ¥ 41 mil.       | 540           | 20             | 3.70  |
| AucSale, Inc.                    | Chuo, Tokyo         | January, 1989  | Information Service    | ¥114 mil.       | 62,845        | 12,500         | 19.89 |

## 5. Risks Related to Conflict of Interest with Subsidiary

K Laboratory Co., Ltd., DMOVE Co., Ltd. and Cybird Korea Co., Ltd. are not wholly owned subsidiaries. This situation may contribute to a conflict of interest between these companies and Cybird. Accordingly, the direction of their business development may have a negative impact on our business.

## 6. Risks Related to Market Expansion

### (1) The Popularity of Internet-enabled Mobile Phones

Our growth is correlated with the market penetration of Internet-enabled mobile phones, which utilize our services. Our business plan may be affected by the market penetration of Internet-enabled mobile phones. Depending upon the extent of the market penetration of Internet-enabled mobile phones, our income model may be less profitable than expected. As a result, our business may suffer.

### (2) Cost Increase and Revenue Decrease

As the market grows, competition between similar official contents may intensify. Also, the cost of marketing and content development may increase at the same time that content service subscription fee decreases. Depending upon the degree of severity of such factors, content providers' income may be suppressed. Consequently, our business may suffer.

## 7. Risks Related to Competition

### (1) Competition in the Mobile Content Business

Our competitors may be competitive enough to damage our profitability. As a result, we may lose market share as well as suffering reduced income due to a decline in the number of subscriptions and the price competition. This may have a negative impact on our business.

### (2) Competition in the Marketing Solution / Commerce Business

In our Marketing Solution business, the competition is getting intense. This also may affect our business negatively.

There exists the possibility that our clients obtain the knowledge and experience and enter our market. This could have a negative impact on our business.

### (3) Competition with System Integrators etc.

There is the possibility that system integrators, hardware companies, software houses and other companies in the IT industry may enter the mobile Internet market, intensifying the competition. Consequently, we could slip from our present position in the market.

### (4) Competition with other Internet-enabled Mobile Devices

Other Internet-enabled mobile devices may take over the market position of present Internet-enabled mobile phones. In such a case, this could have an adverse effect on our business strategy and financial condition.

Major possible competitors are as follows.

| Business Field  | Company  |
|---|--|
| Content (general)                                       | Index Corporation, MTI Ltd., Nihon Enterprise Co., Ltd., BANDAI NETWORKS CO., LTD  |
| Content (ring tone melody)                              | GIGA NETWORKS, INC., XING Inc., YAMAHA CORPORATION, DAIICHIKOSHO CO., LTD., SEGA CORPORATION, DWANGO Co.,Ltd., For-side.com Co.,Ltd.   |
| Content (screen savers)                                 | BANDAI NETWORKS CO., LTD., GignoSystem Japan, Inc.   |
| Content (game)  | NAMCO LIMITED, KONAMI CORPORATION, SEGA CORPORATION, DWANGO Co., Ltd., G-mode Co., Ltd, HUDSON SOFT COMPANY,LIMITED, TAITO CORPORATION |
| Marketing Solution / EC Business                        | MEDIASEEK inc., Index Corporation, MTI Ltd., Nihon Enterprise Co., Ltd., Rakuten, Inc.   |
| Technology-Related Business<br>(K Laboratory Co., Ltd.) | HUDSON SOFT COMPANY LIMITED, TOSE Co., Ltd.  |

## **8. Risks Related to Technological Changes**

To keep up with the rapid changes in the mobile Internet industry, we have to continually adapt ourselves to cutting edge technologies and watch the market carefully. If we fail to cope with such new technologies, our market share may fall. As a result, our business may suffer.

## **9. Risks Related to System Failure**

Our services depend on real-time, continuous information fed through our network. Any disruption from our landline transmissions could result in delays in our subscribers' reception of information and in wireless operators' ability to transmit data. In case of force majeure occurrences, we may not be able to continue providing our services. As a result, our business may be affected negatively by such incidents. In addition, there are other potential causes of system failure that we cannot control. Although we provide system security against any imaginable failures, we may not be able to protect our system from virus attacks by hackers and such, or mishandling of digital data by employees. In such cases, our business may be adversely affected.

## **10. Risks Related to Callbacks of Defective Handsets**

Callbacks of defective handset can harm our subscriber growth and lead to cancellation. As a result, our content business income may suffer and it may produce a negative impact on our business and its results.

## **11. Risks Related to Laws and Regulations**

As well as regulations on Internet information transaction, new laws and regulations related to Information Technology may be enacted. Although we are preparing for possible enactments of such laws and regulations, depending upon the applicability of such laws and regulations, our activity may be limited and guidance from authorities may become stricter. Furthermore, self-restraint among companies in our industry may unexpectedly cause risks, such as mentioned in the previous "Decision by Wireless Network Operators". In such cases, our business plan may face discrepancies. As a result, the quality of our service may deteriorate and accordingly our business may suffer.

## **12. Risks Related to Opening up Market**

Wireless network operators presently administrate official content services. However, there is an active demand by the Ministry of Public Management, Home Affairs, Posts and Telecommunications that the restrictions be opened up. The following are the possible risks.

### **(1) Opening-up of Portal Sites**

"Unofficial" services may not be able to maintain the quality of their services. It may also harm our reputation as a content provider. Furthermore, the official sites including ours may suffer and our revenue stream may be negatively affected.

### **(2) Opening-up of Internet Service Provider (ISP) Business**

If the ISP business were opened to enterprises other than the wireless network operators themselves, ISP companies with their own mobile portal sites would emerge. This might result in a change in the industry's structure and could affect "official" content providers' operation and results.

### **(3) Opening-up of Billing Service**

Wireless network operators offer billing services only for "official" services at this moment. If this service were offered even to "unofficial" services that go against social morals, these services might thrive in the market. This could result in damage to the public's confidence in and the social image of the industry. As a result, our business might suffer.

### **(4) Opening-up of UID (User ID)**

If the UID, which wireless network operators administrate, is disclosed to other business entities, privacy protection may become a crucial issue. There is a risk that the public's trust in the mobile Internet itself would be harmed and the industry would stall. This could result in damage to our business.

### **13. Risks Related to Management**

#### **(1) Dependent on Key Management**

Kazutomo Robert Hori, president and CEO, Tetsuya Sanada, executive vice president and CTO, and other board members play crucial roles in formulating management strategy and in our technology development efforts. Furthermore, as president and CEO of K Laboratory Co., Ltd., Tetsuya Sanada plays another crucial role in formulating management strategy and in the technology development efforts and other business activities of the subsidiary. If we lose the services of any of our senior management staff, our business could suffer.

#### **(2) Business Organization Growth**

We will expand and amplify our organization in pace with market growth, but we may not be able to attract highly qualified staff in time. In such cases, we may not be able to achieve appropriate or sufficient personnel. Even if we succeed in hiring appropriate personnel, growth in personnel expenses may negatively impact on our business.

Furthermore, those who do not have proper skill-sets to catch up with the growth of the business may need to be educated, and it may contribute to an increase in education cost and inefficient operations. This may cause a negative impact on our business performance and its growth.

### **14. Risks Related to Intellectual Property**

We utilize many programs in our business. These include the internal development of basic technologies offered over the Internet free of charge. Such development may infringe upon third-parties' intellectual rights.

It is difficult to foresee how intellectual property rights, including patent rights, utility model rights, trademark rights and copyrights, will be applied to content. We may inadvertently be infringing on intellectual property rights of which we are unaware. In addition, there may be patent applications now pending, of which we are unaware. That will result in us infringing on their rights if these patents are approved in the future. In such cases, complaints may arise, including actions for damages or prohibition of use. We may also have to pay royalties for the use of such patents. Any infringement claim, whether meritorious or not, could result in costly litigation or cause service installation delays.

### **15. Risks Related to Lawsuit and Claims**

We have not received any notices or complaints, and we are not subject to any actions for damages or injunctions. Although our legal section takes preventive actions, we may be subject to actions for damages. Depending upon nature of the action and upon the degree of damage, our business may suffer. The following are possible examples.

- Damages to content subscribers and wireless network operators due to failure of our or the network operators' server
- Damages to individuals due to false, indecent, obscene or offensive content
- Business troubles related to the Mobile Commerce business
- Damages to our clients due to our delay in developing systems, and system failure
- Damages to subscribers due to personal information leakage
- Damages to violation of others' properties, intellectual rights, privacy and other rights.

### **16. Other Risks**

#### **(1) Dividend Policy**

As we have not been profitable, on annual basis, since the foundation of the Company in September 1998, we have not paid any dividends to shareholders yet. Although we realize that paying dividends to shareholders is our most important task, we may not be able to pay dividends if we do not achieve the required business results.

#### **(2) Dilution of Share Value**

We have granted or approved the resolution at the shareholders' meeting to grant four rounds of stock option rights based on Article 280, Section 19 of the old Japanese Commercial Code and on Article 280, Sections 20 and 21 of the revised Japanese Commercial Code. The value of our common stock may be, theoretically, diluted when those stock option rights are exercised. As of September 30, 2002, the ratio of potential shares against the number of outstanding shares is 4.07%.

Recently, stock option cost has become an issue in Japan, and standards are now being designed under both international accounting standards and Japanese accounting standards. Although we are examining the necessity and effects of these new standards, we consider that it is too early to disclose our calculations. We will disclose this information when the Japanese standards become fixed.

(3) Volatility of Stock Price

The number of shares issued is small and liquidity is rather low. The volatility risk of our stock can be relatively high. Such volatility in our stock price may affect our financial / capital policy. As a result, we may not be able to achieve our financial / capital plan.

(4) Disclosure

We aim to disclose material information correctly but, due to internal delay of information and other factors, we may fail to disclose material information properly. As a result, trading in our stock may be suspended on the OTC market, or an insider transaction may occur that violates the Securities Law.

(End of the document)

## CYBIIRD IP Content Services List

as of September 30, 2002

| Operator    |   | I-mode (i-Mode) |        |     |                  | EZweb (EZweb) |     |                         |      | J-SRV (J-PHONE) |     |                  |             | H-LINK (DDIP) |                             |                  |        |     |                  |             |         |  |
|-------------|---|-----------------|--------|-----|------------------|---------------|-----|-------------------------|------|-----------------|-----|------------------|-------------|---------------|-----------------------------|------------------|--------|-----|------------------|-------------|---------|--|
| Genre       | Content's Title                         | Java            | Screen | GPS | Subscription Fee | Launch Date   | No. | Content's Title         | Java | Screen          | GPS | Subscription Fee | Launch Date | No.           | Content's Title             | Java             | Screen | GPS | Subscription Fee | Launch Date | No.     |  |
| Mixing      | Coosound                                | O               |        |     | ¥100 ¥300        | 2000/6        |     | Coosound                |      |                 |     | ¥315             | 2000/11     |               | Coosound                    |                  |        |     | ¥100 ¥300        | 2000/12     |         |  |
| Game        | TFM Chakushin Melody                    |                 |        |     | ¥100 ¥300        | 2001/12       |     | TFM Chakushin Melody    |      |                 |     | ¥100 ¥300        | 2001/10     |               | TFM Chakushin Melody        |                  |        |     | ¥100 ¥300        | 2001/9      |         |  |
|             | Keigoe Tsukuro J                        |                 |        |     | ¥200             | 2002/5        | 3   |                         |      |                 |     | ¥103 ¥32         | ¥315 ¥326   | 2001/10       |                             | Keigoe Tsukuro J |        |     |                  | ¥200        | 2001/12 |  |
| Webpage     | Cool Screen                             | O               |        |     | ¥100             | 2000/2        |     | @Chaku Kyara Club       |      |                 |     | ¥100             | 2000/2      |               |                             |                  |        |     | ¥100 ¥200        | 1999/12     | 3       |  |
| Screen      | Print                                   | O               |        |     | ¥300             | 2000/5        |     | Print                   |      |                 |     | ¥315             | 2000/9      |               | O                           |                  |        |     | ¥300             | 2000/8      |         |  |
| Screen      | Chaku Kyara                             | O               |        |     | ¥100             | 2000/8        |     | @Chaku Kyara Beni Tokai | O    |                 |     | ¥210             | 2001/7      |               |                             |                  |        |     | ¥200             | 2002/1      |         |  |
| Screen      | Mashukete Tsukuro J                     | O               |        |     | ¥200             | 2000/10       |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
| Screen      | Appli Michukete Toketsu-san             | O               |        |     | ¥200             | 2001/1        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
|             | Digital Tokoro-san                      | O               |        |     | ¥200             | 2002/8        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
| Game        | Robo & Robo                             | O               |        |     | ¥300             | 2000/5        |     | Mini-game & Tengoku     | O    |                 |     | ¥315             | 2001/8      |               |                             |                  |        |     |                  |             | 3       |  |
|             | Kensho Puzzle                           | O               |        |     | ¥300             | 2000/11       |     | Idoru to Koiyo J        | O    |                 |     | ¥315             | 2001/10     |               |                             |                  |        |     |                  |             |         |  |
|             | @Baku Games!                            | O               |        |     | ¥300             | 2002/5        |     | Kensho Puzzle           | O    |                 |     | ¥315             | 2001/12     |               |                             |                  |        |     |                  |             |         |  |
|             | EA Sports 2002 FIFA World Cup           | O               |        |     | ¥300             | 2002/4        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
|             | Cybird Style                            |                 |        |     | —                | 2002/6        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
| Screen      | Kajigami Kyuji no Shunshinsujitsui      | O               |        |     | ¥200             | 1999/12       | 5   | Amami no Nidan? DX      |      |                 |     | ¥210 ¥321        | 2001/7      | 3             | Super Taro Urami            |                  |        |     | ¥200             | 1999/12     | 0       |  |
| Screen      | Amami no Nidan?                         | O               |        |     | ¥100             | 2000/8        |     | Super Taro Urami        | O    |                 |     | ¥210             | 2001/7      |               | Nandemo Shindan             |                  |        |     | ¥300             | 1999/12     |         |  |
|             |   |                 |        |     |                  |               |     | Super Kyosho Urami      | O    |                 |     | ¥210             | 2001/12     |               | Machikaze A.I. no Hoshinami |                  |        |     | ¥200             | 2000/9      |         |  |
| Screen      | Nami Denetsu                            | O               |        |     | ¥300             | 1999/2        | 2   | Tsukikug                |      |                 |     | ¥315             | 2000/9      | 3             | J Takarazuka Kagaki         |                  |        |     | ¥300             | 2001/11     | 3       |  |
|             | Tsukikug                                | O               |        |     | ¥300             | 2000/5        |     | TV Panic Game Store     |      |                 |     | —                | 2000/10     |               | Sakyo no Kagai Jobo         |                  |        |     | ¥300             | 1999/12     |         |  |
|             | Wide-Wine                               |                 |        |     | ¥300             | 2000/6        |     | CINEMA IMAGICA          | O    |                 |     | ¥315             | 2001/12     |               |                             |                  |        |     | —                | 1999/12     |         |  |
|             | TV Panic Game Store                     |                 |        |     | —                | 2000/2        |     |                         |      |                 |     | ¥300             | 2000/2      |               | Hinshi no Denwacho          |                  |        |     | —                | 1999/12     |         |  |
|             | Zenrin Keiai Map                        | O               |        |     | ¥300             | 2000/6        |     | @AIA                    |      |                 |     | ¥300             | 2000/2      |               | Odette Denwacho             |                  |        |     | —                | 1999/12     |         |  |
|             | Standard WEB                            | O               |        |     | ¥300             | 2000/2        |     | @AIA Mypage             |      |                 |     | ¥210             | 2000/11     |               | My Doctor                   |                  |        |     | —                | 1999/12     |         |  |
|             | Popcorn-net                             | O               |        |     | ¥190             | 2000/7        |     | @AIA Toutou Paradise    |      |                 |     | ¥150             | 2000/12     |               |                             |                  |        |     | ¥300             | 2000/9      |         |  |
|             | Shane Channel to G.O. Imau! Imapro-jobs | O               |        |     | ¥200             | 2000/12       |     | @AIA Chatomoe           | O    |                 |     | ¥210             | 2001/7      |               | @AIA                        |                  |        |     | ¥200             | 2000/9      |         |  |
|             | Takarazuka Kagaki                       | O               |        |     | ¥300             | 2001/1        |     |                         |      |                 |     |                  |             |               | @AIA Mypage                 |                  |        |     |                  |             |         |  |
|             | Neko no Jikan                           |                 |        |     | ¥200             | 2000/1        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
|             | i-mode Beni Dai                         |                 |        |     | —                | 1999/2        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
|             | i-mode Beni Memo                        |                 |        |     | —                | 1999/2        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
|             | Shizuki Yoko no Kibun Soai Jikan        |                 |        |     | —                | 1999/2        |     |                         |      |                 |     |                  |             |               |                             |                  |        |     |                  |             |         |  |
| Sub Total   |   | 13              | 1      |     |                  |               |     |                         | 6    | 2               | 1   |                  |             | 7             |                             |                  |        |     |                  |             | 7       |  |
| Grand Total |   |                 |        |     |                  | 29            |     |                         |      |                 |     |                  | 18          |               |                             |                  |        |     |                  |             | 16      |  |



# Results of Operation, Interim ended September 30, 2002 (Non-Consolidated)

November 11, 2002

Cybird Co., Ltd.  
 Security Code: 4823, JASDAQ  
 URL: <http://www.cybird.co.jp/english/>  
 4-3-20, Torano-mon, Minato-ku, Tokyo  
 Contacts: Tomosada Yoshikawa  
 Senior Vice President  
 +81-3-3431-0111

Date of Approval of Earnings Results by Board of Directors: November 11, 2002

Adoption of US GAAP: Not Applicable

Interim Dividend: Not Applicable

## 1. Non-Consolidated Results of Operation, Interim Period ended September, 2002

### (1) Non-Consolidated Results of Operation

(Unit: million yen, round down to decimal.)

|   | Net Sales     | Operating Income | Ordinary Income |
|---|---------------|------------------|-----------------|
|   | (%)           | (%)              | (%)             |
| Interim period ended September 30, 2002 | 4,130 (38.5)  | 629 (139.1)      | 630 (137.7)     |
| Interim period ended September 30, 2001 | 2,982 (305.4) | 263 (—)          | 265 (—)         |
| Year ended March, 2002                  | 6,720         | 633              | 636             |

|   | Net Income  | Net Income per Share |
|---|-------------|----------------------|
|   | (%)         | (Yen)                |
| Interim period ended September 30, 2002 | 704 (132.8) | 22,516.61            |
| Interim period ended September 30, 2001 | 302 (—)     | 9,869.29             |
| Year ended March, 2002                  | 577         | 18,810.68            |

Note 1. Average Number of Shares Issued

Interim period ended September 30, 2002

31,301 shares

Interim period ended September 30, 2001

30,680 shares

FY ended March 31, 2002

30,680 shares

2. Change of Accounting Method

Not Applicable

3. “%” shows increase / decrease of each items, compared with previous Interim.

### (2) Dividend

|   | Interim Dividend per Stock | Annual Dividend per Stock |
|---|----------------------------|---------------------------|
|   | Yen                        | Yen                       |
| Interim period ended September 30, 2002 | —                          | —                         |
| Interim period ended September 30, 2001 | —                          | —                         |

### (3) Financial Conditions

(Unit: million yen, round down to decimal.)

|                    | Total Assets | Shareholder's Equity | Equity Ratio | Shareholder's Equity per Share |
|--------------------|--------------|----------------------|--------------|--------------------------------|
|                    |              |                      | (%)          | (Yen)                          |
| September 30, 2002 | 6,100        | 5,012                | 82.2         | 158,436.10                     |
| September 30, 2001 | 4,951        | 3,721                | 75.2         | 121,299.74                     |
| March 31, 2002     | 5,078        | 3,997                | 78.7         | 130,228.82                     |

Note Number of shares issued as of the end of fiscal year

Interim ended September 30, 2002

31,640 shares

Interim ended September 30, 2001

30,680 shares

Fiscal year ended March 31, 2002

30,698 Shares